Annual Financial Report
Fiscal Year Ended December 31

2015

Montréal

Annual Financial Report
Fiscal Year Ended December 31, 2015

2015

Deposited at the City Clerk's office of the
Ville de Montréal on April 13, 2016

Montréal

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Introduction

2015

Message from the Mayor

Dear Fellow Montrealers,

Montréal's 2015 Financial Report clearly attests to our administration's success over the past two years in maintaining tight, effective control over how our public moneys are spent.

Fiscal 2015 closed with an overall surplus for Montréal of $145.8 million. This windfall was generated by higher-than-budgeted revenues and lower-than-budgeted operating expenses.

Growth in revenues, which stood at $58.5 million, is partly due to new property developments, generating additional taxes—a sure sign Montréal is starting to reap the benefits of new mega-development projects, including Montréal's two super-hospitals: McGill University Health Centre (MUHC) and Centre hospitalier de l'Université de Montréal (CHUM).

Our administration's efforts have succeeded primarily through savings in municipal expenditures.

This was already clear in our "historic" 2015 Budget, which for the first time in ages, marked a drop in spending ($12.8 million) from the prior year.

This downtrend is confirmed in the 2015 Financial Report, with savings of $162 million thanks to year-round belt-tightening efforts and effective decision-making by our administration.

Most municipal sectors and boroughs shared in this cost cut, as well.

Plus, 2015 saw the rollout of our Borough Funding Reform, designed to ensure that all boroughs get their fare share and that services are uniformly distributed to the public.

We are very proud to say that the boroughs have contributed to the overall shrinkage in operating expenditures and all will receive part of the 2015 surplus. The boroughs' share is $72.1 million, which is essentially the same as they received prior to the Reform.

We have very good reason to place such emphasis on spending. In view of our pledge to cap tax hikes at 2%, we've cut municipal expenses, to give us the financial freedom we need for implementing long-awaited projects for our metropolis.

And we intend to do so, in ensuring that Montrealers will continue to receive the same excellent service they deserve.

Finally, I would like to thank all municipal employees who contribute, day after day, to meeting our ambitious goals and to the advent of a new, beautiful and great metropolis.

The Mayor of Montréal
Denis Coderre

Message from the Treasurer

Ladies,
Gentlemen,

We are pleased to present to you the Ville de Montréal 2015 Annual Financial Report for the fiscal year ended December 31, 2015. The first part of this report presents a consolidated version of the city's financial data, namely data for the entity formed by the Ville de Montréal and the organizations included in its reporting entity. The second part contains an analysis of the municipal administration (excluding the organizations in its reporting entity).

The Ville de Montréal 2015 fiscal year shows an operating surplus for tax purposes of $145.8 million. Sound management of public funds, prudent and responsible administration of the city's debt as well as compliance with the financial perspective of the 2015 fiscal year all contributed positively to these results.

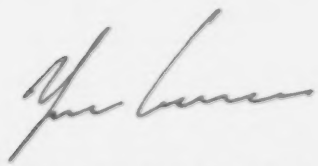
This surplus of $145.8 million ($213.9 million in 2014) is mainly the result of higher income, combined with savings in operating costs, compared to the previously submitted operating budget.

The city's non-consolidated overall revenues came to $4,924.9 million, up $58.5 million (1.2%), compared to the previously submitted operating budget. This increase is the result of an active real estate sector, which generated $69.7 million in additional income, or $32.9 million from taxation of new buildings, resulting from an increase of more than $1.786 billion of the tax base and of $36.8 million of property transfers and building permits.

The city's non-consolidated operating, financing and allocation costs stand at $4,779.1 million, down $87.3 million (1.8%), compared to those included in the operating budget. This decrease is mainly the result of savings as regards employer contributions, professional and technical services, leasing and maintenance costs, financing costs and allocations.

The combination of additional revenues and cost savings enabled the municipal administration to forgo employing certain relief measures included in the 2015 operating budget ($95.4 million, including $62 million for pension plans and $33.4 million for changes to the QST rules), avoiding having to carry forward taxation of certain elements to future years.

In closing, we offer our sincere thanks to all of the city's employees, who made a positive contribution to these results.



Yves Courchesne, CPA, CGA
Treasurer, Ville de Montréal

Introduction - Financial Information of the Municipal Administration

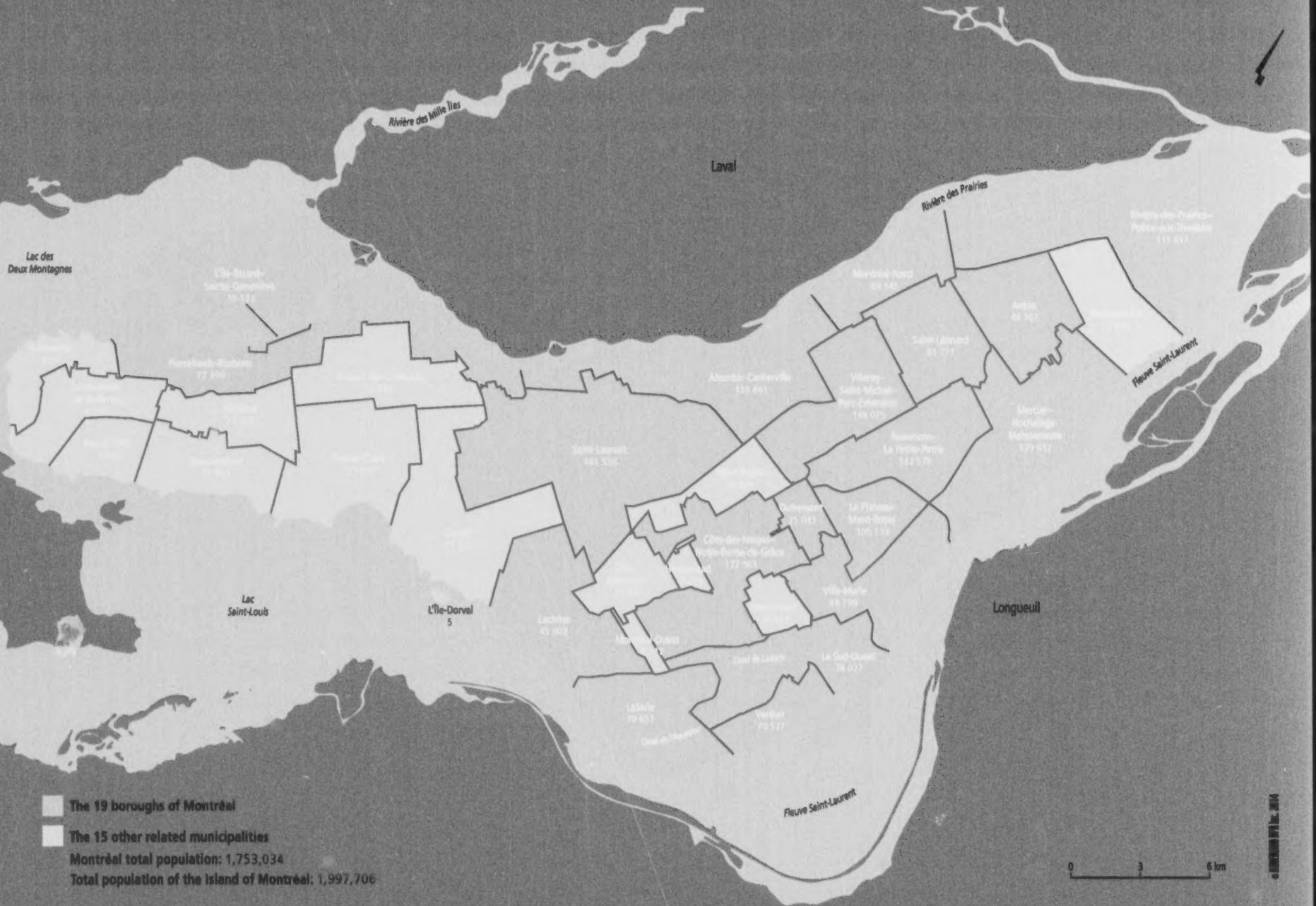
Fiscal Year Ended December 31, 2015

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

(in thousands of dollars)

	2015								2014
	Local responsibilities		Urban agglomeration responsibilities		Eliminations		Total		Total
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Actual
Revenues									
Taxes	3,114,091	3,128,323	45,000	45,377			3,159,091	**3,173,700**	3,061,444
Payments in lieu of taxes	236,312	254,545					236,312	**254,545**	250,957
Quota shares			2,215,372	2,206,794	(1,808,976)	(1,800,710)	406,396	**406,084**	400,572
Transfers	152,788	162,207	108,158	93,817			260,946	**256,024**	296,504
Services rendered	264,025	274,402	55,672	55,228	(19,882)	(24,942)	299,815	**304,688**	292,424
Fee collection	158,030	194,217	1,943	2,592			159,973	**196,809**	187,221
Fines and penalties	106,466	87,583	93,290	83,174			199,756	**170,757**	178,368
Interest	80,423	91,923	37,085	41,707			117,508	**133,630**	122,801
Other revenues	24,815	10,782	1,767	17,865			26,582	**28,647**	25,324
	4,136,950	4,203,982	2,558,287	2,546,554	(1,828,858)	(1,825,652)	4,866,379	**4,924,884**	4,815,615
Operating expenditures									
General administration	514,425	463,605	390,576	349,577	(19,470)	(23,058)	885,531	**790,124**	740,863
Public security	16,167	15,046	1,032,130	1,022,469	(119)	(375)	1,048,178	**1,037,140**	1,047,406
Transportation	381,763	368,311	500,390	502,092		(278)	882,153	**870,125**	805,669
Environmental hygiene	197,639	205,530	230,151	214,717		(949)	427,990	**419,298**	397,349
Health and welfare	61,554	56,006	36,261	36,027			97,815	**92,033**	91,320
Urban planning and development	166,567	145,797	59,332	48,442	(293)	(252)	225,606	**193,987**	183,464
Recreation and culture	416,981	435,850	88,698	87,518		(30)	505,679	**523,338**	499,599
Financing expenses	264,611	256,561	127,552	120,503			392,163	**377,064**	376,589
	2,019,907	1,946,706	2,465,090	2,381,345	(19,882)	(24,942)	4,465,115	**4,303,109**	4,142,259
Quota shares for financing urban agglomeration activities	1,808,976	1,800,710			(1,808,976)	(1,800,710)			
Operating surplus before financing and allocations	308,067	456,566	93,197	165,209			401,264	**621,775**	673,356
Financing									
Repayment of long-term debt	(249,219)	(240,627)	(168,246)	(146,532)			(417,465)	**(387,159)**	(385,304)
Allocations									
Capital asset activities		(6,812)		(18,517)				**(25,329)**	(21,703)
Restricted operating surplus	20,141	40,164		1,525			20,141	**41,689**	36,652
Financial reserves and reserved funds	(58,723)	(62,069)	(35,921)	(42,046)			(94,644)	**(104,115)**	(72,191)
Recognized expenditures to be taxed or funded	(20,266)	(53,427)	110,970	52,379			90,704	**(1,048)**	(16,870)
	(58,848)	(82,144)	75,049	(6,659)			16,201	**(88,803)**	(74,112)
Operating surplus for tax purposes for the year		133,795		12,018				**145,813**	213,940

The Island of Montréal and its Population



The 19 boroughs of Montréal

The 15 other related municipalities

Montréal total population: 1,753,034

Total population of the Island of Montréal: 1,997,706

The Municipal Organization 2015

Pursuant to the *Act respecting the consultation of citizens with respect to the territorial reorganization of certain municipalities* and the *Act respecting the exercise of certain municipal powers in certain urban agglomerations*, and amendments, the city's powers of administration are divided among the urban agglomeration and local authorities. As the central city of this urban agglomeration, Montréal continues to provide services and to manage collective equipment for all island residents, within the city itself and within the 15 reconstituted municipalities.

These common services are provided by Ville de Montréal employees. Since 2009, the Island of Montréal's 16 related municipalities have been required to fund all shared services that fall under the Urban Agglomeration Council's authority with quota shares. This system of funding urban agglomeration responsibilities results from legislative changes introduced by *An Act to amend various legislative provisions concerning Montréal (Bill 22)* that was adopted in June 2008.

This Act also makes changes to items falling under the Urban Agglomeration Council's authority. Arterial road system activities, for example, are now under local authority, except for the definition of management and harmonization standards, general planning of the system and certain work that remains under the urban agglomeration's responsibility.

Furthermore, several items have been removed from the list of equipment, infrastructure and activities of collective interest set out in the Appendix to the *Order in Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and amendments), such as several large parks, cultural facilities, celebrations and festivals.

Montréal Urban Agglomeration Council
The urban agglomeration is responsible for services provided to all island residents. These responsibilities are exercised by the Urban Agglomeration Council. This municipal political entity and decision-making body holds the authority to adopt any by-law, to authorize any expenditure and to levy any quota share throughout the Island of Montréal.

The Urban Agglomeration Council is designed to have a simple and democratic structure. Montréal's mayor selects representatives to accompany him to the Urban Agglomeration Council. Their briefs are set by the City Council, which defines the positions to be taken by its elected officials at the Urban Agglomeration Council. The same rule applies for the mayors of the reconstituted municipalities, who are bound by the guidelines of their respective city councils.

A total of 31 elected officials sit on the Urban Agglomeration Council.

They are:

- The mayor of Montréal, who is its chair.
- 15 elected officials from Montréal's City Council, who are appointed by the mayor.
- 14 mayors of the reconstituted municipalities (L'Île-Dorval and Dorval share one representative), one of whom is appointed as vice-chair.
- An additional representative from Dollard-Des Ormeaux (because of the size of its population), who is appointed by the mayor of this municipality.

The representation of each of the 16 related municipalities within this council is proportional to its demographic weight. Montréal has a weight of 87% and the 15 reconstituted municipalities have 13%.

City Council and Borough Councils
Furthermore, in accordance with the various areas of activity defined in the *Charter of Ville de Montréal*, the city's local powers are distributed among the City Council and the borough councils.

The Montréal City Council assumes its responsibility toward local powers within the city, which now has 19 boroughs. The borough councils are responsible for delivering local services.

The City Council consists of the mayor of Montréal, also ex-officio mayor of the Ville-Marie borough, plus 64 city councillors, 18 of whom are borough mayors. A borough council has at least five members. These members include the borough mayor, one or more city councillors and any borough councillors. There are 19 boroughs, with 46 councillors, who also sit on the City Council, and 38 borough councillors.

The cost of local service provided on the Montréal territory is covered using revenue from local property taxes, which are paid by all Montréal taxpayers. In some cases, taxpayers in a given borough may, according to decisions by their borough council, be required to pay a borough tax for local services.

Summary of Powers Falling under the Urban Agglomeration Council or the City and Borough Councils

Urban Agglomeration Powers

- Property assessment
- Police, fire and public safety
- First responder services, except in Côte-Saint-Luc
- 9-1-1 emergency centre
- Implementation of fire coverage and public safety plans
- Municipal court
- Social housing
- Assistance to the homeless
- Prevention and fight against substance abuse and prostitution
- Waste disposal, recycling and management of hazardous material
- Development and adoption of a solid waste management plan
- Municipal waterways
- Water supply and purification, except local mains
- Public transit
- Definition of minimum standards for the management and general planning of the arterial road system and work on specified roadways
- Economic and tourist promotion outside the limits of a related municipality
- Tourist information services
- Industrial parks
- *Conseil des arts de Montréal* (arts council)
- Equipment, infrastructure and activities of collective interest designated in the *Order in Council concerning the urban agglomeration of Montréal* (No.1229-2005 and amendments)
- Contribution to financing the operating deficit of the Space for Life
- Any other responsibility once within the jurisdiction of the former urban community, now under the authority of the city

Local Powers

- Urban planning
- Building, public nuisance and public health regulations
- Housing
- Fire protection and public safety
- Solid waste collection and transportation
- Local and arterial road management
- Local water mains and sewer lines
- Local sports and recreational facilities
- Local libraries
- Local parks
- Local economic, community, cultural and social development
- Heritage
- *Commission des services électriques* (electrical services commission)
- *Sociétés de développement commercial* (merchants' associations)
- Industrial parks listed in by-law RCG 06 020
- Organization of elections

Consolidated Financial Information

2015

Management responsibility for financial reporting

The consolidated financial statements in this report are prepared in accordance with Canadian public sector accounting standards, as described in Note 2 to the consolidated financial statements.

The consolidated financial statements and all other information in this annual financial report are the responsibility of management. Management has also ensured consistency between the consolidated financial statements and all other information disclosed in the annual financial report.

To assess certain facts and operations, management has made estimates based on its best judgment of the situation and by taking into account materiality.

Management is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the city's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded, and that the consolidated financial statements are based on reliable accounting records.

The city's powers and responsibilities are exercised either by the Urban Agglomeration Council, the City Council, or by the borough councils.

The Audit Committee is made up of seven members, two of which are members of the council representing the reconstituted municipalities and two are external members. Its responsibilities include overseeing financial reporting and presentation procedures, which includes reviewing the consolidated financial statement and other information contained in this annual financial report.

The Auditor General of Ville de Montréal and the independent auditor, Deloitte LLP, have audited the consolidated financial statements and presented the following reports.

Yves Courchesne
Treasurer of Ville de Montréal

Alain Marcoux
Acting City Manager

April 5, 2016

Vérificateur **général**
de la Ville de Montréal

INDEPENDENT AUDITOR'S REPORT

To the Mayor,
The Chairman and the Members of the Executive Committee,
The Members of the Council of Ville de Montréal,
The Members of the Montréal Agglomeration Council

I have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

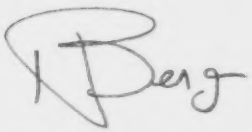
Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2015 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Observations

Without modifying my opinion, I draw attention to Note 15 to the consolidated financial statements, which states that the City includes certain financial information prepared for tax purposes in its consolidated financial statements. Management has decided to present this information, which is not required under Canadian public sector accounting standards, as it deems it necessary for a more in-depth and relevant analysis of the activities carried out.

Auditor General of the Ville de Montréal,



Jacques Bergeron, CPA auditor, CA

Montréal, April 5, 2016

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Independent auditor's report

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of Ville de Montréal, and
the Members of the Montréal Agglomeration Council

We have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As at December 31, 2015, Ville de Montréal recognized, in its consolidated statement of financial position, grants receivable from the Government of Québec regarding government transfers related to assistance programs involving the construction of capital assets and other expenses financed or to be financed by loans and for which the work has been completed. This situation is a departure from the accounting standard on government transfers set out in Canadian public sector accounting standards, which provides for the recognition of grants when they have been authorized by the government upon the exercise of its enabling authority and when the recipients have met the eligibility criteria. The impacts of the current accounting treatment on the consolidated financial statements as at December 31, 2015 and 2014 are as follows:

	Overstated (understated) In thousands of dollars	
	2015	**2014 restated**
Consolidated statement of financial position		
Accounts receivable - Government of Québec and its enterprises	2,361,292	1,836,330
Net debt and accumulated surplus	2,361,292	1,836,330
Consolidated statement of operations		
Revenues - Transfers	524,962	(15,899)
Surplus for the year	524,962	(15,899)
Accumulated surplus at beginning of year	1,836,330	1,852,229
Accumulated surplus at end of year	2,361,292	1,836,330

Management has not detailed the accumulated surplus amount to the extent provided in the consolidated financial statements.

In addition, Ville de Montréal did not comply with the provisions of section 1.1 of the *Act respecting subsidies for the payment in capital and interest of loans of public or municipal bodies and certain other transfers* (CQLR, chapter S-37.01), which took effect June 14, 2013 and states that only the part of the subsidy that is payable in Ville de Montréal's fiscal year and authorized by Parliament for the government's fiscal year must be recognized.

These items have led us to express a modified audit opinion on the current year's financial statements, as we did for the financial statements of the previous year.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2015, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Observations

Without modifying our opinion, we draw attention to Note 15 to the consolidated financial statements, which states that Ville de Montréal includes certain financial information prepared for tax purposes in its consolidated financial statements. Management has decided to present this information, which is not required under Canadian public sector accounting standards, as it deems it necessary for a more in-depth and relevant analysis of the activities carried out.

Deloitte LLP[1]

April 5, 2016

[1] CPA auditor, CA, public accountancy permit No. A116207

Consolidated Statement of Financial Position
As at December 31, 2015

(in thousands of dollars)

	Notes	2015	2014 Restated Note 3
FINANCIAL ASSETS			
Cash and temporary investments	5	**570,658**	309,950
Investments	5	**3,150,766**	2,941,846
Accounts receivable	6	**3,458,814**	2,971,438
Assets held for sale		**4,415**	1,592
Loans	7	**18,230**	27,674
		7,202,883	6,252,500
LIABILITIES			
Temporary loans	8	**216,836**	241,301
Accounts payable, provisions and accrued liabilities	9	**1,601,434**	1,484,145
Deferred revenues	10	**184,301**	160,134
Long-term debt	11	**10,562,006**	9,551,580
Employee future benefits liability	12	**275,735**	22,716
		12,840,312	11,459,876
NET DEBT		**(5,637,429)**	(5,207,376)
NON-FINANCIAL ASSETS			
Capital assets	13	**12,168,304**	11,206,094
Assets held for sale		**78,971**	61,713
Inventories		**79,711**	72,437
Other non-financial assets	14	**523,763**	438,029
		12,850,749	11,778,273
ACCUMULATED SURPLUS	15	**7,213,320**	6,570,897
Commitments and contingencies	20		

See the accompanying notes and tables.

Consolidated Statement of Operations

Fiscal Year Ended December 31, 2015

(in thousands of dollars)

	Notes	2015 Budget	2015 Actual	2014 Restated Note 3 Actual
Revenues				
Taxes		3,140,459	**3,156,025**	3,045,648
Payments in lieu of taxes		236,312	**254,545**	250,957
Quota shares		406,396	**406,084**	400,572
Transfers	*16*	1,220,780	**1,421,668**	879,850
Services rendered		987,192	**984,170**	955,606
Fee collection		159,973	**196,809**	187,221
Fines and penalties		199,756	**170,757**	178,368
Interest	*17*	122,277	**140,068**	129,831
Other revenues		104,709	**101,145**	109,265
		6,577,854	**6,831,271**	6,137,318
Expenditures				
General administration		893,174	**799,416**	751,401
Public security		1,086,648	**1,076,228**	1,082,300
Transportation		2,079,417	**2,200,267**	1,815,089
Environmental hygiene		635,242	**616,001**	590,797
Health and welfare		139,659	**135,555**	134,225
Urban planning and development		260,766	**226,989**	214,261
Recreation and culture		627,414	**650,299**	619,948
Financing expenses		498,667	**484,093**	466,641
		6,220,987	**6,188,848**	5,674,662
Surplus for the year		356,867	**642,423**	462,656
Accumulated surplus at beginning of year				
Accumulated surplus at beginning of year, as previously reported			**6,687,907**	6,081,598
Restatement	*3*		**(117,010)**	26,643
Accumulated surplus at beginning of year, as restated			**6,570,897**	6,108,241
Accumulated surplus at end of year			**7,213,320**	6,570,897

See the accompanying notes and tables.

Consolidated Statement of the Change in Net Debt
Fiscal Year Ended December 31, 2015

(in thousands of dollars)

	Notes	2015 Budget	2015 Actual	2014 Restated Note 3 Actual
Surplus for the year		356,867	**642,423**	462,656
Change in capital assets				
Acquisition	*13*	(2,129,671)	**(1,797,878)**	(1,122,536)
Proceeds from sale		9,225	**11,446**	9,738
Amortization	*13*	817,451	**833,716**	790,442
Gain on sale		(3,353)	**(9,494)**	(5,029)
		(1,306,348)	**(962,210)**	(327,385)
Change in assets intended for sale		937	**(17,258)**	7,514
Change in inventories			**(7,274)**	(440)
Change in other non-financial assets			**(85,734)**	(33,423)
		937	**(110,266)**	(26,349)
Deconsolidation of an organization				19,500
Change in net debt		(948,544)	**(430,053)**	128,422
Net debt at beginning of year				
Net debt at beginning of year, as previously reported		(5,090,366)	**(5,090,366)**	(5,362,441)
Restatement	*3*		**(117,010)**	26,643
Net debt at beginning of year, as restated		(5,090,366)	**(5,207,376)**	(5,335,798)
Net debt at end of year		(6,038,910)	**(5,637,429)**	(5,207,376)

See the accompanying notes and tables.

Consolidated Statement of Cash Flows
Fiscal Year Ended December 31, 2015

(in thousands of dollars)

	Notes	2015	2014 Restated Note 3
Operating activities			
Surplus for the year		**642,423**	462,656
Items not affecting cash			
Amortization of capital assets		**833,716**	790,442
Gain on sale of capital assets		**(9,494)**	(5,029)
Other			2,808
		1,466,645	1,250,877
Change in non-cash items			
Accounts receivable		**(487,376)**	(90,409)
Assets held for sale		**(20,081)**	7,544
Loans		**9,444**	16,899
Accounts payables, provisions, and accrued liabilities		**117,289**	(89,677)
Deferred revenues		**24,209**	(22,857)
Employee future benefits liability		**253,019**	(52,003)
Inventories		**(7,274)**	(440)
Other non-financial assets		**(85,734)**	(33,423)
		1,270,141	986,511
Capital investing activities			
Acquisition of capital assets	13	**(1,378,293)**	(1,111,295)
Proceeds from sale of capital assets		**11,446**	9,738
		(1,366,847)	(1,101,557)
Other investing activities			
Acquisition of investments		**(473,937)**	(608,122)
Proceeds from sale of investments		**265,017**	420,005
		(208,920)	(188,117)
Financing activities			
Proceeds from long-term debt	13	**1,298,169**	1,103,500
Repayment of long-term debt, net of refinancings		**(467,306)**	(605,546)
Bond redemption by refinancing		**(240,064)**	(194,725)
Net change in temporary loans		**(24,465)**	(2,464)
		566,334	300,765
Increase (Decrease) in cash and cash equivalents		**260,708**	(2,398)
Cash and cash equivalents at beginning of year		**309,950**	312,348
Cash and cash equivalents at end of year		**570,658**	309,950

Cash and cash equivalents consist of cash and temporary investments of 90 days or less from the acquisition date.

See the accompanying notes and tables.

Segment Disclosures
As at December 31, 2015

SCHEDULE 1 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION *(in thousands of dollars)*

	2015				2014 Restated Note 3
	Municipal administration	Controlled organizations	Eliminations	Total	Total
FINANCIAL ASSETS					
Cash and temporary investments	486,025	84,633		**570,658**	309,950
Investments	2,541,638	609,128		**3,150,766**	2,941,846
Accounts receivable	2,351,106	1,656,654	(548,946)	**3,458,814**	2,971,438
Assets held for sale	1,592	2,823		**4,415**	1,592
Loans	21,065	1,510	(4,345)	**18,230**	27,674
	5,401,426	2,354,748	(553,291)	**7,202,883**	6,252,500
LIABILITIES					
Temporary loans		216,836		**216,836**	241,301
Accounts payable, provisions and accrued liabilities	1,381,500	295,877	(75,943)	**1,601,434**	1,484,145
Deferred revenues	154,076	48,734	(18,509)	**184,301**	160,134
Long-term debt	7,992,494	3,047,020	(477,508)	**10,562,006**	9,551,580
Employee future benefits liability	299,499	(23,764)		**275,735**	22,716
	9,827,569	3,584,703	(571,960)	**12,840,312**	11,459,876
NET DEBT	(4,426,143)	(1,229,955)	18,669	**(5,637,429)**	(5,207,376)
NON-FINANCIAL ASSETS					
Capital assets	8,613,425	3,554,879		**12,168,304**	11,206,094
Assets held for sale	47,734	31,237		**78,971**	61,713
Inventories	38,531	41,849	(669)	**79,711**	72,437
Other non-financial assets	47,248	494,515	(18,000)	**523,763**	438,029
	8,746,938	4,122,480	(18,669)	**12,850,749**	11,778,273
ACCUMULATED SURPLUS					
Unrestricted operating surplus (deficit)	209,776	(6,415)		**203,361**	142,136
Restricted operating surplus	262,209	73,124		**335,333**	259,337
Financial reserves and reserved funds	234,916	13,057		**247,973**	327,492
Surplus (Deficit) from capital asset activities	21,982	4,311	(18,315)	**7,978**	(119,659)
Recognized expenditures to be taxed or funded	(978,381)	2,237	20,419	**(955,725)**	(722,694)
Net investment in capital assets	4,570,293	2,806,211	(2,104)	**7,374,400**	6,684,285
	4,320,795	2,892,525		**7,213,320**	6,570,897

See the accompanying notes and tables.

Segment Disclosures (continued)

Fiscal Year Ended December 31, 2015

SCHEDULE 2 – CONSOLIDATED ITEMIZED OPERATIONS BY ORGANIZATION *(in thousands of dollars)*

	2015				2014 Restated Note 3
	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues					
Operating					
Taxes	3,173,700		(17,675)	**3,156,025**	3,045,648
Payments in lieu of taxes	254,545			**254,545**	250,957
Quota shares	406,084	417,986	(417,986)	**406,084**	400,572
Transfers	256,024	220,551		**476,575**	503,591
Services rendered	304,688	769,125	(89,643)	**984,170**	955,606
Fee collection	196,809			**196,809**	187,221
Fines and penalties	170,757			**170,757**	178,368
Interest	133,630	21,523	(15,085)	**140,068**	129,831
Other revenues	26,844	103,459	(40,757)	**89,546**	97,892
	4,923,081	1,532,644	(581,146)	**5,874,579**	5,749,686
Capital Assets					
Quota shares		4,915	(4,915)		
Transfers	195,018	750,075		**945,093**	376,259
Other revenues					
Developers' contributions	6,742			**6,742**	8,245
Other	4,857			**4,857**	3,128
	206,617	754,990	(4,915)	**956,692**	387,632
	5,129,698	2,287,634	(586,061)	**6,831,271**	6,137,318
Expenditures					
General administration	806,268		(6,852)	**799,416**	751,401
Public security	1,076,228			**1,076,228**	1,082,300
Transportation	1,099,368	1,621,927	(521,028)	**2,200,267**	1,815,089
Environmental hygiene	616,771		(770)	**616,001**	590,797
Health and welfare	92,830	52,972	(10,247)	**135,555**	134,225
Urban planning and development	224,966	9,207	(7,184)	**226,989**	214,261
Recreation and culture	625,394	49,800	(24,895)	**650,299**	619,948
Financing expenses	377,064	122,114	(15,085)	**484,093**	466,641
	4,918,889	1,856,020	(586,061)	**6,188,848**	5,674,662
Surplus for the year	210,809	431,614		**642,423**	462,656

See the accompanying notes and tables.

Segment Disclosures (continued)

Fiscal Year Ended December 31, 2015

SCHEDULE 3 – RECONCILIATION OF THE CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY ORGANIZATION

(in thousands of dollars)

	2015					2014
						Restated Note 3
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Surplus for the year	356,867	210,809	431,614		**642,423**	462,656
Less: revenues from capital asset activities	(734,080)	(206,617)	(754,990)	4,915	**(956,692)**	(387,632)
Operating surplus (deficit) before reconciliation for tax purposes for the year	(377,213)	4,192	(323,376)	4,915	**(314,269)**	75,024
Reconciliation for tax purposes						
Capital assets						
Proceeds from sale	9,225	11,153	293		**11,446**	9,738
Amortization	817,451	615,780	217,936		**833,716**	790,442
Gain on sale	(3,353)	(9,350)	(144)		**(9,494)**	(5,029)
Deconsolidation of an organization						19,236
	823,323	617,583	218,085		**835,668**	814,387
Financing						
Repayment of long-term debt	(513,927)	(387,159)	(74,573)	(8,586)	**(470,318)**	(458,252)
Allocations						
Capital asset activities	(1,334)	(25,329)	(1,241)		**(26,570)**	(44,511)
Restricted operating surplus	20,304	41,689	3,932		**45,621**	36,652
Financial reserves and reserved funds	(95,494)	(104,115)	(473)		**(104,588)**	(72,667)
Recognized expenditures to be taxed or funded	151,820	(1,048)	190,408	3,671	**193,031**	(108,716)
	75,296	(88,803)	192,626	3,671	**107,494**	(189,242)
Operating surplus for tax purposes for the year	7,479	145,813	12,762		**158,575**	241,917

See the accompanying notes and tables.

Segment Disclosures (continued)

Fiscal Year Ended December 31, 2015

SCHEDULE 4 – RECONCILIATION OF CONSOLIDATED SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY ORGANIZATION

(in thousands of dollars)

	2015					2014 Restated Note 3
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues from capital asset activities	734,080	206,617	754,990	(4,915)	**956,692**	387,632
Reconciliation for tax purposes						
Capital assets						
Acquisition						
General administration	(148,773)	(50,541)			**(50,541)**	(29,021)
Public security	(45,200)	(39,890)			**(39,890)**	(49,780)
Transportation	(1,109,338)	(310,120)	(862,176)		**(1,172,296)**	(507,327)
Environmental hygiene	(369,200)	(268,854)			**(268,854)**	(274,092)
Health and welfare	(38,960)	638	(1,128)		**(490)**	(9,508)
Urban planning and development	(123,200)	(40,934)	(3,223)		**(44,157)**	(47,864)
Recreation and culture	(295,000)	(221,650)			**(221,650)**	(204,944)
	(2,129,671)	(931,351)	(866,527)		**(1,797,878)**	(1,122,536)
Financing						
Long-term financing of capital asset activities	1,254,957	609,785	132,628		**742,413**	728,295
Allocations						
Operating activities	1,334	25,329	1,241		**26,570**	44,511
Restricted operating surplus		14,434			**14,434**	21,073
Financial reserves and reserved funds	139,300	190,212	21,000		**211,212**	54,519
Use of the sinking fund						48,500
	140,634	229,975	22,241		**252,216**	168,603
Surplus from capital asset activities for tax purposes for the year		115,026	43,332	(4,915)	**153,443**	161,994

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2015

SCHEDULE 5 – CONSOLIDATED EXPENDITURES BY ITEM AND BY ORGANIZATION *(in thousands of dollars)*

	2015				2014
	Municipal administration	Controlled organizations	Eliminations	Total	Total
Remuneration					
Elected officials	9,820	166		**9,986**	10,333
Employees	1,640,581	681,111	(6,414)	**2,315,278**	2,269,400
Employer contributions					
Elected officials	4,109	24		**4,133**	4,000
Employees	715,480	405,709		**1,121,189**	840,374
Transportation and communication	41,498	154,644		**196,142**	165,699
Professionnal, technical and other services					
Professional fees	42,656	22,941		**65,597**	61,643
Purchase of technical services	265,548	39,169	(15,595)	**289,122**	265,039
Other	3,908	14,326		**18,234**	19,262
Leasing, maintenance and repair					
Leasing	89,715	16,365	(19,691)	**86,389**	88,555
Maintenance and repair	64,669	32,267	(26)	**96,910**	88,507
Durable goods					
Construction	13,446			**13,446**	9,408
Other durable goods	409	4		**413**	1,741
Non-durable goods					
Delivery of public services	84,524	14,492	(3,699)	**95,317**	90,629
Other non-durable goods	145,974	62,289	(6,727)	**201,536**	183,795
Financing expenses					
Interest and other charges on long-term debt borne by:					
The municipality	283,883	37,155		**321,038**	319,355
Government of Québec and its enterprises	53,590	77,991		**131,581**	118,350
Other third parties	38,892	2,058	(15,085)	**25,865**	22,896
Other financing expenses	699	4,910		**5,609**	6,040
Contributions to organizations					
Municipal organizations					
Société de transport de Montréal	422,901		(422,901)		
Montréal Metropolitan Community	29,399			**29,399**	29,482
Reconstituted municipalities					
Other	28,053		(21,877)	**6,176**	1,497
Government organizations					
Agence métropolitaine de transport	63,295			**63,295**	50,636
Other	12,010			**12,010**	15,107
Other organizations	142,678	12,389	(10,575)	**144,492**	123,797
Amortization of capital assets	615,780	217,936		**833,716**	790,442
Other items					
Doubtful accounts or bad debts	21,737	691		**22,428**	24,064
Other	83,635	59,383	(63,471)	**79,547**	74,611
	4,918,889	1,856,020	(586,061)	**6,188,848**	5,674,662

See the accompanying notes and tables.

1- GOVERNING STATUTE

Ville de Montréal (the City) is a municipal corporation incorporated on January 1, 2002 under the *Charter of Ville de Montréal* (CQLR, chapter C-11-4).

On January 1, 2006, following the results of a referendum held in 2004 under An *Act regarding public consultation on the territorial reorganization of certain municipalities* (S.Q. 2003, chapter 14), the former municipalities of Baie-d'Urfé, Beaconsfield, Côte-Saint-Luc, Dollard-Des-Ormeaux, Dorval, Hampstead, Kirkland, L'île-Dorval, Montréal-Est, Montréal-Ouest, Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Village de Senneville and Westmount were reconstituted. As a result, Ville de Montréal now consists of 19 remaining boroughs that comprise 87% of the total population of the island of Montréal. In accordance with the provisions of this Act, all municipalities located on the island of Montréal, however, remain related to one another and form an agglomeration consistent with the territory of Ville de Montréal as it existed on December 31, 2005.

An *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR, chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005), and its amendments lists and defines the powers of the urban agglomeration. Under this Act, Ville de Montréal is the central municipality in charge of exercising, in addition to its local powers, the powers of the agglomeration.

The agglomeration is headed by the City's Urban Agglomeration Council, a political and decision-making body vested with decision-making powers related to urban agglomeration responsibilities. The Urban Agglomeration Council is a central municipal legislative body, separate from city council under Section 14 of the *Charter of Ville de Montréal*. It is made up of representatives of each related municipality, with the number of representatives of each municipality being determined proportionately to the relative size of their populations.

2- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards They contain certain financial information for tax purposes presented in Note 15.

The term "City," as used in the segment disclosures, accompanying notes and tables, refers to the entity made up of Ville de Montréal and the organizations under its control. The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

The significant accounting policies are as follows:

a) Principles of consolidation

The consolidated financial statements include the accounts of the City and of the organizations under its control. These organizations include the Société de transport de Montréal (the STM), the Société d'habitation et de développement de Montréal, the Technoparc Montréal, the Société du parc Jean-Drapeau, the Conseil des arts de Montréal, the Conseil interculturel de Montréal, the Office de consultation publique de Montréal, Anjou 80, the Société en commandite Stationnement de Montréal, the Bureau du taxi de Montréal and Bixi Montréal. Transactions concluded between these organizations and reciprocal balances are eliminated.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Accounting method

Transactions are recorded in the City's books using the accrual basis of accounting. Under this method, assets, liabilities, revenues and expenditures are recognized in the year in which the events and transactions occur.

c) Use of estimates

Preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that affect the reported amounts of revenues, expenditures, assets, liabilities, and commitments and contingencies. Actual results could differ from these estimates.

The main estimates made relate to the following items: the allowance for doubtful accounts on accounts receivable and loans, the net realizable values of assets held for sale, the estimated useful lives of capital assets, provisions for salaries and benefits, liabilities for solid waste landfill closure and post-closure costs, environmental liability, contested valuations and legal claims and actuarial assumptions for establishing employee future benefits liability and expenses.

d) Investments

Temporary investments are recorded at the lower of cost and fair value.

Other investments are recorded at cost and written down when there is a permanent decline in value. Discounts or premiums on investments are amortized on a straight-line basis until maturity. Amounts included in the sinking fund are restricted to the repayment of long-term loans that do not require annual repayment and, for the municipal administration, to the reduction of the long-term financing related to the acquisition of capital assets.

e) Assets held for sale

Assets held for sale are recorded at the lower of cost and net realizable value. The portion of these assets held for selling purposes for the subsequent year is presented in financial assets.

f) Loans

Loans are presented at the lower of cost and net recoverable value. Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion. The discount is amortized over the term of the loan using the effective interest method.

g) Provision for contested valuations

The provision for contested valuations is an estimate of refunds (both principal and interest) that may result from court decisions on contested real estate valuations or rental values and on contested classifications under the *Act respecting Municipal Taxation*.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Deferred revenues

Premiums on the issuance of securities are amortized on a straight-line basis over the term of the related loans. The amounts collected for the acquisition and development of parks and playing fields are recognized in the Consolidated Statement of Operations when the land intended for that purpose is acquired or when the related development work is carried out.

i) Other non-financial assets

The City records capital assets and certain assets as non-financial assets since they can be used to provide services in subsequent years. These assets do not usually provide resources assigned to the settlement of its liabilities unless they are sold.

j) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the following estimated useful lives:

Infrastructures	10 to 40 years
Metro system	20 to 100 years
Buildings	20 to 40 years
Leasehold improvements	lease term
Vehicles	5 to 60 years
Office furniture and equipement	5 to 10 years
Machinery, tools and equipment	5 to 25 years
Other	20 to 25 years

Capital assets in the process of completion are only amortized when they can be used in the production of goods or in the provision of services.

Land used as road foundations, otherwise acquired by a purchase contract, is recorded at a nominal value of $1. Other land is recorded at cost. When the cost cannot be traced, it is estimated.

k) Inventories

Inventories are recorded at lower of cost, which is determined using the average cost method, and replacement value. Obsolete inventory is written off.

l) Other non-financial assets

Securities issuance costs are amortized on a straight-line basis over the terms of the related borrowings.

m) Tax revenues and payments in lieu of taxes

Except for revenues from the tax on registered vehicles, tax revenues and compensations in lieu of taxes are recognized in the Consolidated Statement of Operations in the year in which they are billed. Revenues from the tax on registered vehicles are recognized over a 12-month period from the date they are received.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Quota shares

The expenditures incurred by the City in exercising urban agglomeration responsibilities are invoiced to the municipalities related to the agglomeration. Revenues from this invoicing are recorded as quota shares in the Consolidated Statement of Operations.

o) Transfer revenues

Transfer revenues are recognized in the Consolidated Statement of Operations when the related operating and capital expenditures are recorded, to the extent that they have been authorized by the transferor and the eligibility criteria have been met, unless the transfer stipulations give rise to an obligation that meets the definition of a liability.

Certain aspects of standard PS 3410, *Government Transfers*, in particular issues related to the notion of authorization of transfers, are currently the subject of various accounting interpretations, specifically in the case of multi-year transfers paid by the Government of Québec. These interpretations have led the independent auditors to issue differing opinions on the City's consolidated financial statements since 2013.

Faced with these differing interpretations within the City and other entities applying the standard PS 3410, *Government Transfers*, the Public Sector Accounting Board (PSAB) issued a Request for Information in November 2014 to gather stakeholders' experience in the implementation and application of the standard, During the year, the Council reviewed the results of this consultation and is currently assessing the next steps. The City plans on closely monitoring the developments related to this standard-setting work.

p) Services rendered

Revenues related to services rendered are recognized in the Consolidated Statement of Operations when the services are rendered and give rise to a claim. Revenues generated from passenger transportation constitute a significant portion of recognized services rendered. These revenues are recognized in the Consolidated Statement of Operations when the transit fares are used by passengers. In the case of weekly or monthly passes, revenues are recognized in the period when these passes are valid.

q) Revenues from fee collection, fines and penalties, interest and other revenues

Revenues from fee collection, fines and penalties, interest and other revenues are recognized in the Consolidated Statement of Operations in the period in which the transactions or events occurred that gave rise to the revenues, amounts can be reasonably estimated, and collection is reasonably assured. Interest income is recognized when earned.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Employee future benefits liability and expenses

- Defined benefit plans

Plan liability reflect the year-end difference existing between the value of the accrued benefit obligations and the value of plan assets, net of unamortized actuarial gains and losses and the valuation allowance. The actuarial valuation of these assets or liabilities is determined using the projected benefit method prorated on years of service with salary projection. It is also based on actuarial assumptions that include management's best estimates on, among other things, discount rates, the expected rate of return on plan assets, and the rate of compensation increase and healthcare costs.

Plan assets are valued using a market-related value, determined over a period not exceeding five years.

Past service costs related to plan amendments are recognized in the year during which the amendments are made.

Actuarial gains and losses resulting from the difference between the actual and the expected rate of return on plan assets or resulting from changes in actuarial assumptions are deferred and amortized over the average remaining service life of active employees. As at December 31, 2015, this weighted average remaining service life is 13 years.

- Defined contribution plans and pension plan for elected officials

The pension expense for these plans is recognized when contributions are due.

s) Liabilities for solid waste landfill closure and post-closure costs

The City records a liability for closure and post-closure costs of solid waste landfills that it has operated. The liability provision for these costs is an estimate of the discounted costs required to provide final cover for closed landfills and to monitor and maintain the biogas and leachate collection and treatment systems for an estimated period of 20 years.

The assumptions used to calculate these costs are periodically reviewed to account for advancements made in solid waste landfill management practices.

t) Environmental liability

The City records an environmental liability for remediation of contaminated sites when the following criteria are satisfied: an environmental standard exists; the contamination exceeds this standard; the City is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amounts can be made.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Foreign currency translation

Revenues and expenditures related to foreign currency transactions are translated into Canadian dollars using the exchange rates in effect on the transaction date.

Monetary liabilities denominated in foreign currencies are translated using the exchange rates in effect on the reporting date of the Consolidated Statement of Financial Position, and foreign exchange gains or losses are immediately charged to the Consolidated Statement of Operations if they are cash items.

Loan repayments with respect to loans denominated in foreign currencies that are not subject to a hedge against currency exposure, are translated using the exchange rates in effect on the transaction dates. For these loans, gains and losses resulting from the difference between the original conversion rate and conversion rate used on the repayment or payment date are recorded in the Consolidated Statement of Operations.

The exchange gain or loss relating to a long-term debt denominated in foreign currency, but not subject to a hedge against currency exposure, is recognized in the Consolidated Statement of Financial Position as a deferred item and is not amortized as the debt is perpetual.

v) Derivative financial instruments

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on long-term debt and applies hedge accounting in its eligible hedging relationships in order to benefit from hedge accounting. When implemented, the foreign exchange hedging relationships must be fully documented as required under standard PS 2600, *Foreign Currency Translation*, and the City must secure efficient relationships for managing the attendant risks. Then the current hedging relationships are evaluated on an annual basis to ensure that they continue to be efficient, and it is expected that they will remain efficient. The efficiency of a hedging relationship is generally evaluated by analyzing whether the main terms of the swap match those of the debt covered. The City does not use financial instruments for trading or speculative purposes.

The City uses cross-currency swaps to manage the risk associated with loans denominated in foreign currencies. The value of currency swaps is determined by applying the change between the foreign exchange rates stipulated in the swap contracts and exchange rates in effect on the reporting date of the Consolidated Statement of Financial Position to the notional amounts of the swaps. Those that constitute financial assets are deducted from long-term debt, and those that constitute financial liabilities are added to long-term debt. Gains and losses on these derivatives are recognized in the same period as the exchange gains and losses related to the corresponding debt and are charged against the latter.

Furthermore, the City uses interest rate swaps to manage interest rate risk related to its debt. These contracts result in interest exchanges that are recorded as an adjustment to financing expenses for the year. The amounts payable to counterparties or receivable from counterparties are recorded as an adjustment to the accrued interest on the corresponding debt; otherwise, the value of the interest rate swap contracts is not recorded in the Consolidated Statement of Financial Position.

w) Urban agglomeration responsibilities

Under an *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR, chapter E-20.001), the City, in addition to its local powers, exercises agglomeration powers over the entire territory of related municipalities. The main agglomeration powers cover the following areas: municipal assessments; public transit; certain functions related to the thoroughfares forming the arterial road system; water supply and water purification; disposal and reclamation of residual materials; municipal watercourses; police, emergency preparedness, fire protection and first responder services (except for the territory of the municipality of Côte-Saint-Luc); the municipal court; social housing and assistance to the homeless; and certain components of economic development. Tables 1 and 2 provide a breakdown of the operating activities and capital asset surplus for tax purposes according to both local and agglomeration responsibilities.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Sectorization and presentation of operations

The City's financial position, operations, operating and capital asset surplus (deficit) for the year for tax purposes, and by-item expenditures are broken down between the following sectors: municipal administration and controlled organizations.

Expenditures are broken down as follows:

The "General administration" item refers to all municipal administration and management activity. Expenditures relate primarily to council activities, applications of the law, and financial, administrative and staff management.

The "Public security" item refers to all activities involving the protection of people and property. It includes all expenditures related to control, prevention and emergency measures regarding emergency preparedness.

The "Transportation" item refers to all activities related to planning, organizing and maintaining road systems and to the transportation of people and goods.

The "Environmental hygiene" item refers to all expenditures related to water, sewers, waste removal, and environmental protection.

The "Health and welfare" item refers to all community health and welfare services.

The "Urban planning and development" item refers to the development and maintenance of the urban development plan or city plan as well as all expenditures related to developing the City's economic development programs.

The "Recreation and culture" item refers to all the planning, organizing, and managing of recreational and cultural programs.

The "Financing expenses" item refers to the interest and other charges involved in financing.

y) Budget information

The Consolidated Statement of Operations and the Consolidated Statement of Change in Net Debt include a comparison with consolidated budget data, adjusted in accordance with Canadian public sector accounting standards. The consolidated budget is prepared by combining the unconsolidated budget adopted by the municipal administration with the budgets adopted by the main controlled organizations, after eliminating reciprocal transactions.

A comparison with the unconsolidated budget, adopted in December 2014 by the city council and the Urban Agglomeration Council, is also presented in the schedules and tables prepared for tax purposes.

Certain budget figures have been reclassified to reflect the current year's presentation.

3- RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

During the harmonization of its accounting policies with those of the City, the STM overvalued the transfer revenues calculated for consolidation purposes. The Consolidated Statement of Financial Position as at December 31, 2014 was restated to reflect an $117.0 million decrease in amounts receivable from the Government of Québec related to capital asset activities, an equivalent increase in net debt and a decrease in accumulated surplus, i.e., a $114.0 million increase in the deficit of capital asset activities and an $3.0 million decrease in the net investment in capital assets. The accumulated surplus, established on January 1st, 2014, was increased by $26.6 million. This amount is the result of a $25.8 million reduction in the deficit of capital asset activities and a $0.8 million increase in the net investment in capital assets. The consolidated statements of Operations and of Change in net debt for the year ended December 31, 2014 were restated to reflect the decrease in transfer revenues for an amount of $143.6 million.

4- CHANGE IN ACCOUNTING POLICY

On January 1, 2015, a new PSAB accounting standard on liability for contaminated sites (PS 3260) came into effect. This standard basically defines which activities would be included in an environmental liability as well as when to recognize and how to measure such a liability.

The City has elected to apply the new standard prospectively such that an additional liability of $11.8 million was added as at January 1, 2015, to the $71.0 million allowance already recognized as at December 31, 2014. An equivalent charge of $11.8 million was also recognized in the Consolidated Statement of Operations for the year ended December 31, 2015, as an environmental hygiene expenditure, under local responsibilities.

5- CASH AND INVESTMENTS
(in thousands of dollars)

	2015			2014
	Sinking Fund	Other	Total	Total
Cash and temporary investments				
Cash		223,255	223,255	79,398
Temporary investments		347,403	347,403	230,552
		570,658	570,658	309,950
Investments				
Term deposits and other securities	45,061	648,861	693,922	762,032
Bonds and debentures	2,206,980	249,864	2,456,844	2,179,814
	2,252,041	898,725	3,150,766	2,941,846

Temporary investments with a term of 90 days or less effective on the acquisition date, essentially include notes, bankers' acceptances and deposit certificates. They bear interest at rates varying between 0.50% and 1.75% (1.00% and 1.24% in 2014).

As at December 31, 2015, the fair value of investments was $3,270.9 million ($3,070.4 million in 2014).

As at December 31, 2014, the Sinking Fund and other investments totalled $1,947.4 million and $994.4 million, respectively.

Bonds and debentures held by the City essentially comprise securities issued by governments and their bodies and by municipalities, school boards, CEGEPs, CLSCs and hospitals. In particular, they include City bonds and debentures totalling $513.7 million ($409.0 million in 2014).

5- CASH AND INVESTMENTS (continued)
(in thousands of dollars)

The maturities of investments held by the City are as follows:

	Term deposits and other securities	Bonds and debentures	Total	Weighted nominal interest rate
December 31, 2015				
2016	693,922	203,941	897,863	1.61%
2017		424,458	424,458	3.54%
2018		161,354	161,354	3.58%
2019		322,740	322,740	3.79%
2020		426,008	426,008	3.93%
1 to 5 years	693,922	1,538,501	2,232,423	2.88%
6 to 10 years		652,542	652,542	3.71%
11 to 15 years		31,684	31,684	4.52%
16 to 20 years		209,776	209,776	3.87%
More than 20 years		24,341	24,341	4.10%
	693,922	2,456,844	3,150,766	
December 31, 2014				
2015	761,015	102,539	863,554	1.69%
2016	1,017	236,880	237,897	3.81%
2017		409,949	409,949	3.58%
2018		140,360	140,360	3.83%
2019		256,046	256,046	3.84%
1 to 5 years	762,032	1,145,774	1,907,806	2.80%
6 to 10 years		837,572	837,572	4.13%
11 to 15 years		25,057	25,057	4.02%
16 to 20 years		146,626	146,626	4.10%
More than 20 years		24,785	24,785	4.10%
	762,032	2,179,814	2,941,846	

6- ACCOUNTS RECEIVABLE
(in thousands of dollars)

	2015	2014 Restated Note 3
Taxes	104,583	96,347
Government of Canada and its enterprises	197,081	171,639
Government of Québec and its enterprises	2,749,688	2,232,491
Municipal organizations	20,910	33,844
Services rendered and other	386,552	437,117
	3,458,814	2,971,438

An allowance for doubtful accounts of $151.7 million ($149.4 million in 2014) has been deducted from accounts receivable.

6- ACCOUNTS RECEIVABLE (continued)
(in thousands of dollars)

	2015	2014 Restated Note 3
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	2,403,400	1,959,027

The fair value of the receivables to be used to repay long-term debt is $2,629.9 million ($2,160.6 million in 2014).

Accounts receivable collected for the repayment of long-term debt, for which repayment terms were determined as at December 31, 2015, are as follows:

	Receipts	Weighted nominal interest rate	Refinancing
December 31, 2015			
2016	280,088	4.25%	13,715
2017	271,748	4.27%	27,477
2018	241,926	4.22%	41,324
2019	233,377	4.15%	14,590
2020	198,753	3.93%	3,951
1 to 5 years	1,225,892	4.18%	101,057
6 to 10 years	577,791	3.85%	38,672
11 to 15 years	196,955	3.36%	6,345
16 to 20 years	123,178	3.34%	4,635
More than 20 years	93,379	4.49%	
	2,217,195	3.99%	150,709
December 31, 2014			
2015	229,238	4.44%	64,175
2016	216,416	4.47%	13,715
2017	210,667	4.51%	27,477
2018	182,071	4.49%	41,324
2019	172,533	4.42%	14,366
1 to 5 years	1,010,925	4.47%	161,057
6 to 10 years	463,210	4.22%	30,616
11 to 15 years	128,071	3.65%	6,345
16 to 20 years	72,091	3.48%	4,211
	1,674,297	4.30 %	202,229

7- LOANS
(in thousands of dollars)

	2015	2014
Loans to contractors	13,075	19,593
Loans to a municipal corporation	4,534	4,283
Balances of sales prices	621	3,798
	18,230	27,674

Loans to contractors, which mature from 2016 to 2030, bear interest at rates varying from 0.00% to 15.70% (an amount of $19.6 million maturing from 2015 to 2030 at rates varying between 0.00% and 9.00% in 2014). A valuation allowance of $4.2 million was deducted from the value of these loans ($0.9 million in 2014).

Loans to a municipal housing corporation, which mature from 2020 to 2033, do not bear interest. An amount of $3.1 million was deducted from the value of these loans to present them at their discounted face value ($3.4 million in 2014).

Balances of sales prices, which mature from 2017 to 2033, bear interest at rates varying from 4.42% to 9.00% (maturing from 2015 to 2033 at rates varying from 0.00% to 9.00% in 2014).

8- TEMPORARY LOANS

The City has levers for its short-term liquidity needs that totalled $1,786.5 million as at December 31, 2015 ($1,779.1 million in 2014).

Of this amount, $1,476.5 million ($500.0 million under the limit set by the STM and $976.5 million under the *Charter of Ville de Montréal*, which authorizes up to 20% of the budgetary appropriations) may be borrowed, in whole or in part, through notes, bankers' acceptances or securities that may be negotiated with chartered banks or on the open market for short-term borrowings. As at December 31, 2015, the nominal value of commercial paper issuances was $204.8 million ($227.7 million in 2014) and the average rate on these temporary loans was 0.83% (1.21% in 2014).

The City also has demand lines of credit from different banks totalling $310.0 million. As at December 31, 2015, the amount of the credit used was $12.0 million ($13.6 million in 2014) and bears interest at an average rate of 0.88% (1.41% in 2014).

9- ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES (in thousands of dollars)

	2015	2014
Trade accounts payable	433,717	420,351
Salaries, source deductions and employee benefits	604,305	572,094
Accrued interest payable on long-term debt	78,502	71,201
Provisions		
Solid waste landfill closure and post-closure costs	38,189	39,292
Environmental liability (1)	83,883	70,969
Contested valuations	35,349	25,336
Other	80,853	75,675
Deposits and holdbacks	162,383	139,530
Government of Québec and its enterprises	29,867	23,763
Government of Canada and its enterprises	5,855	7,066
Other	48,531	38,868
	1,601,434	1,484,145

(1) The City records an environmental liability in respect of the clean-up of contaminated sites. Based on information currently known, this liability comprises costs directly attributable to remediation activities. These costs include those associated with operating activities as well those related to the construction of infrastructure used solely for cleaning up the sites. Once the period for the remediation work has been determined, the City discounts the costs. As at December 31, 2015, the liability associated with the sites whose clean-up costs have been discounted amounted to $66.7 million ($65.5 million in 2014); estimated total undiscounted expenditures, which are expected to be realized until 2042, amounted to $99.7 million ($98.4 million in 2014); and the discount rate used was 4.00% (4.00% in 2014). The liability related to sites for which the period of work could not be determined was $17.2 million ($5.5 million in 2014).

Potential cost recoveries related to government transfers and the invoicing of partners involved in cleaning up the sites, if confirmed and meeting the recognition criteria, could reduce the liability in the future.

10- DEFERRED REVENUES (in thousands of dollars)

	2015	2014
Premium upon issuance of securities	79,861	55,496
Transfers	28,639	50,524
Transit passes	22,456	21,715
Acquisition and development of parks and playing fields	20,557	
Automobile registration taxes	15,595	15,270
Other	17,193	17,129
	184,301	160,134

11- LONG-TERM DEBT
(in thousands of dollars)

	2015	2014
Bonds and notes		
In Canadian dollars (1)	10,427,335	9,400,861
In foreign currencies	370	328
Other long-term debt		
Obligations under capital leases	381	589
Term loans and mortgages (2)	112,575	123,368
Other	21,345	26,434
	10,562,006	9,551,580

(1) Includes the long-term debt related to repaying the net pension plan obligation totalling $1,294.9 million ($1,294.9 million in 2014).

(2) Mortgages in the amount of $22.9 million ($28.3 million in 2014) are guaranteed by properties with a carrying value of $34.2 million ($37.5 million in 2014).

The repayment of the long-term debt is allocated as follows:

	2015	2014 Restated Note 3
Chargeable to taxpayers		
Of the central municipality	3,495,154	3,335,203
Of the agglomeration	2,073,347	1,958,081
Accumulated amounts in the Sinking Fund	2,252,041	1,947,447
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	2,403,400	1,959,027
Amount recoverable through user fees	338,064	351,822
	10,562,006	9,551,580

The City uses currency and interest-rate swap agreements for loans totalling $244.1 million ($159.9 million in 2014). The financial liabilities associated with these swaps are included in the long-term debt amount.

Considering the existence of these swaps, substantially all of the loans contracted by the City bear interest at a fixed rate. As at December 31, 2015, unhedged foreign exchange loans amounted to $0.3 million ($0.3 million in 2014) and the foreign exchange gain on these loans amounted to $0.5 million ($0.6 million in 2014).

11- LONG-TERM DEBT (continued)
(in thousands of dollars)

Estimated payments on long-term debt are as follows:

	2015					2014		
Maturity	Canadian dollars (1)	Foreign currencies	Maturity	Refinancing	Net maturity	Maturity	Refinancing	Net maturity
2015						672,340	255,333	417,007
2016	594,744		594,744	134,354	460,390	474,870	83,825	391,045
2017	1,059,409		1,059,409	163,909	895,500	945,505	146,254	799,251
2018	983,560		983,560	307,204	676,356	913,904	304,306	609,598
2019	1,170,311		1,170,311	242,773	927,538	1,102,168	239,729	862,439
2020	463,764		463,764	88,145	375,619			
1 to 5 years	4,271,788		4,271,788	936,385	3,335,403	4,108,787	1,029,447	3,079,340
6 to 10 years	3,430,882		3,430,882	835,699	2,595,183	2,899,665	646,639	2,253,026
11 to 15 years	714,562		714,562	8,172	706,390	649,459	8,172	641,287
16 to 20 years	1,090,674		1,090,674	88,322	1,002,352	839,611	80,365	759,246
2043	934,556		934,556		934,556	934,556		934,556
2045	119,174		119,174		119,174	119,174		119,174
Perpetuity		370	370		370	328		328
TOTAL	10,561,636	370	10,562,006	1,868,578	8,693,428	9,551,580	1,764,623	7,786,957

Debt summary

	2015			2014		
	Foreign currencies	Canadian dollars	%	Foreign currencies	Canadian dollars	%
Canadian dollars (1)		10,561,636	100.00		9,551,252	100.00
Pounds Sterling	181	370	0.00	181	328	0.00
		10,562,006	100.00		9,551,580	100.00

(1) Including loans contracted in foreign currencies that are subject to hedging.

Interest rates

The interest rates shown in the table take into account the nominal interest rate and impact of interest rate swaps.

	2015			2014
Maturity	Canadian dollars	Foreign currencies	Weighted average	Weighted average
1 to 5 years	4.39%		4.39%	4.48%
6 to 10 years	4.10%		4.10%	4.36%
11 to 15 years	4.55%		4.55%	4.74%
16 to 20 years	4.15%		4.15%	4.19%
2043	6.00%		6.00%	6.00%
2045	6.00%		6.00%	6.00%
Perpetuity		3.00%	3.00%	3.00%
Weighted average	4.44%	3.00%	4.44%	4.60%

11- LONG-TERM DEBT (continued)
(in thousands of dollars)

Fair value

The fair value of the debt was $11,935.3 million ($10,911.3 million in 2014). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of $31.9 million ($40.2 million in 2014).

12- EMPLOYEE FUTURE BENEFITS LIABILITY
(in thousands of dollars)

	2015	2014
Defined benefit pension plans	14,175	(239,096)
Other plans	261,560	261,812
Employee future benefits liability	275,735	22,716

Expenses for the defined benefit plans totalled $748.9 million ($472.5 million in 2014). Expenses for the defined contribution plans and the pension plans of elected officials totalled $0.9 million ($0.9 million in 2014) and $2.4 million ($2.3 million in 2014), respectively.

Defined benefit plans

a) Description of plans

The City offers various defined benefit pension plans to most of its employees. Under these plans, benefits paid to employees are based on the number of years of service and the average salary for the highest paid years. The City's contributions are determined according to various actuarial methods.

Other retirement benefits, including life insurance and insurance coverage for medical and dental costs, are also provided to certain employees. Certain post-employment benefits are also provided and include, in particular, income replacement benefits, supplemental unemployment benefits, maintenance of coverage during periods of temporary absence and certain termination allowances. These plans are not funded.

The most recent actuarial valuations were performed from December 31, 2012 to December 31, 2015.

b) Reconciliation of the funded status of the benefit plans with the amounts recorded in the Consolidated Statement of Financial Position

	2015		2014	
	Pension plans	Other plans	Pension plans	Other plans
Actuarial value of plan assets	16,623,283		15,295,520	
Accrued benefit obligation	(17,716,201)	(265,321)	(16,861,265)	(276,486)
Capitalization deficit	(1,092,918)	(265,321)	(1,565,745)	(276,486)
Unamortized actuarial losses	1,241,985	3,761	1,806,949	14,674
Accrued benefit asset (liability)	149,067	(261,560)	241,204	(261,812)
Valuation allowance	(163,242)		(2,108)	
Employee future benefits asset (liability)	(14,175)	(261,560)	239,096	(261,812)

12- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)
(in thousands of dollars)

c) Plans in which the accrued benefit obligation exceeds the plan assets

	2015		2014	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligation	(8,919,850)	(265,321)	(8,686,249)	(276,486)
Actuarial value of plan assets	7,660,917		7,115,589	
Capitalization deficit	(1,258,933)	(265,321)	(1,570,660)	(276,486)

d) Actuarial value of plan assets

	2015		2014	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	15,295,520		14,233,598	
Expected return on plan assets	919,224		856,955	
Gain during the year on the expected return on plan assets	707,694		434,076	
Actual return on plan assets	1,626,918		1,291,031	
Contributions for the year	628,673	11,522	662,700	10,862
Benefits paid	(927,828)	(11,522)	(891,809)	(10,862)
Balance at end	16,623,283		15,295,520	
Fair value of plan assets (1)	17,325,812		16,470,408	

(1) The bonds issued directly by the City to its pension plans, reported at a cost of $303.7 million ($303.7 million in 2014), are included in the fair value of plan assets.

e) Accrued benefit obligation

	2015		2014	
	Pension plans (1)	Other plans	Pension plans	Other plans
Balance at beginning	16,861,265	276,486	16,215,472	273,234
Current service cost	411,054	10,471	407,147	10,870
Past service cost	10,850	(10,404)	(189,527)	(974)
Benefits paid	(927,828)	(11,522)	(891,809)	(10,862)
Interest cost on the obligation	1,006,187	11,062	956,471	11,277
Loss (Gain) on the obligation during the year	354,673	(10,772)	363,511	(7,059)
Balance at end	17,716,201	265,321	16,861,265	276,486

(1) As at December 31, 2015, the accrued benefit obligation of the pension plans includes a constructive obligation of $1,174.8 million ($768.8 million in 2014) arising from the adoption, in 2014, of an act to foster the financial health of defined benefit pension plans.

Notes and Tables to the Consolidated Financial Statements
December 31, 2015

12- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)
(in thousands of dollars)

f) Components of the expense for defined benefits plans

	2015		2014	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	411,054	10,471	407,147	10,870
Past service cost	10,850	(10,404)	(189,527)	(974)
Employee contributions	(144,302)		(149,045)	
Unamortized actuarial losses (gains) recognized upon plan amendments	(9,078)	(1,142)	191,926	974
Amortization of actuarial losses	221,021	1,283	224,290	1,869
Retirement benefits expense	489,545	208	484,791	12,739
Interest cost on the obligation	1,006,187	11,062	956,471	11,277
Expected return on plan assets	(919,224)		(856,955)	
Interest cost	86,963	11,062	99,516	11,277
Change in valuation allow ance	161,134		(135,809)	
Total expense	737,642	11,270	448,498	24,016

g) Principal assumptions

The principal assumptions used are as follows:

	2015		2014	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	6.00% to 6.50%	4.00%	6.00% to 6.10%	3.75% to 4.25%
Rate of expected return on plan assets	6.00% to 6.50%		6.00% to 6.10%	
Inflation rate	2.00% to 2.25%	2.25%	2.00% to 2.25%	2.00% to 2.25%
Salary escalation rate	2.50% to 2.75%	2.50%	2.50% to 2.75%	2.75% to 2.96%
Initial grow th rate for healthcare costs		5.00% to 8.50%		4.00% to 7.71%
Ultimate grow th rate for healthcare costs		3.00% to 5.50%		4.30% to 5.48%
Years w hen rate is expected to stabilize		2024 and 2025		2024 and 2032

Mortality tables

For the City's main pension plans, with the exception of the police officer plan, the City has chosen to make certain adjustments, based on the results of a municipal sector study, to the mortality table published by the Canadian Institute of Actuaries (CIA) in 2014. For the police officer pension plan, the City uses mortality table CPM-2014Publ combined with the CPM-B scale published by the CIA in 2014.

12- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)
(in thousands of dollars)

Defined contribution plans and plans of elected officials

a) Description of plans

Some employees are members of defined contribution plans, under which the City's contribution represents a percentage of pay. Elected officials are members of defined benefit pension plans administered by the Commission administrative des régimes de retraite et d'assurances du Québec. The City's contributions are determined by the government.

b) Employer contributions

	2015	2014
Defined contribution plans	946	909
Pension plans of elected officials	2,435	2,344

13- CAPITAL ASSETS
(in thousands of dollars)

	Balance as at December 31, 2014	Increase	Decrease	Balance as at December 31, 2015
COST				
Infrastructures	10,587,192	639,521	141,579	11,085,134
Metro system	2,518,856	672,461	42	3,191,275
Buildings	3,034,421	299,006	19,183	3,314,244
Leasehold improvements	70,551	5,419	7,077	68,893
Vehicles	1,409,205	44,252	27,826	1,425,631
Office furniture and equipment	432,116	80,403	34,593	477,926
Machinery, tools and equipment	312,011	23,653	5,276	330,388
Land	1,172,226	33,163	665	1,204,724
Other	8,972		1,123	7,849
	19,545,550	1,797,878	237,364	21,106,064
ACCUMULATED AMORTIZATION				
Infrastructures	4,865,850	421,879	141,576	5,146,153
Metro system	1,047,841	80,979	42	1,128,778
Buildings	1,391,261	114,564	18,087	1,487,738
Leasehold improvements	36,191	8,074	6,939	37,326
Vehicles	674,863	109,808	27,821	756,850
Office furniture and equipment	188,876	62,222	34,593	216,505
Machinery, tools and equipment	130,589	35,996	5,236	161,349
Other	3,985	194	1,118	3,061
	8,339,456	833,716	235,412	8,937,760
NET CARRYING VALUE	11,206,094			12,168,304

The cost of the capital assets in the process of completion totalizing $618.5 million as at December 31, 2015 ($477.2 million in 2014).

13- CAPITAL ASSETS (continued)
(in thousands of dollars)

Acquisition by the STM of Agence métropolitaine de transport (AMT) assets related to the extension of the metro system on the territory of the City of Laval

Under order-in-council number 173-2015 adopted by the Government of Québec on March 11, 2015, the STM acquired from the AMT the assets related to the extension of the metro system on the territory of the City of Laval for an amount corresponding to their net carrying value of $592.9 million.

This acquisition was settled through the assumption by the STM of $419.6 million in AMT long-term debt and a $173.3 million payment to be funded with debt proceeds. Under the order-in-council, the acquisition cost is fully subsidized by a transfer payment from the Ministère des Transports over a period of 20 years.

On the Consolidated Statement of Cash Flows, the acquisition of capital assets and proceeds from long-term debt were reduced by an amount of $419.6 million corresponding to the balance of AMT debt assumed by the STM.

14- OTHER NON-FINANCIAL ASSETS
(in thousands of dollars)

	2015	2014
Deposits to purchase metro cars and buses	468,301	370,309
Securities issuance costs	45,926	57,943
Other	9,536	9,777
	523,763	438,029

15- ACCUMULATED SURPLUS
(in thousands of dollars)

	2015	2014 Restated Note 3
Unrestricted operating surplus	203,361	142,136
Restricted operating surplus	335,333	259,337
Financial reserves and reserved funds	247,973	327,492
Surplus (Deficit) of capital asset activities	7,978	(119,659)
Recognized expenditures to be taxed or funded	(955,725)	(722,694)
Net investment in capital assets	7,374,400	6,684,285
	7,213,320	6,570,897

In accordance with the model developed by the Ministère des Affaires municipales et de l'Occupation du territoire of the Government of Québec, the City presents certain financial information prepared for tax purposes in its annual financial report. Besides a breakdown of the accumulated surplus in various items defined in the following paragraphs, the financial information is presented in Schedules 3 and 4; in Tables 1, 2, 3 and 4 of the Notes and Tables to the Consolidated Financial Statements; and in the section of the report that deals specifically with the municipal administration

15- ACCUMULATED SURPLUS (continued)
(in thousands of dollars)

Restricted operating surplus

The restricted operating surplus is the portion of the accumulated surplus whose use is reserved under the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and Outaouais* (S.Q., 2000, chapter 56), under the *Charter of Ville de Montréal*, or under resolutions adopted by the city council, the Urban Agglomeration Council and the borough councils. It also includes the excess of operating activities in organizations under its control.

Financial reserves and reserved funds

Certain amounts collected by the City must be recorded in special accounts of accumulated surplus and used for specific purposes. These purposes include, in particular, the development and maintenance of parking areas; the provision of water and road network services; and the acquisition of capital assets.

Surplus of capital asset activities

The surplus of capital assets activities consists of the financing surplus over the costs of capital assets.

Recognized expenditures to be taxed or funded

Recognized expenditures to be taxed or funded is equal to the net balance of the expenditures recognized in the Consolidated Statement of Operations that will be subject to future revenues. Except for the balance related to the initial obligation as at January 1, 2007 for other retirement benefits and other post-employment employee future benefits, this amount will be transferred by allocating it to the unrestricted operating surplus over estimated periods through to 2045. The recognized expenditures to be taxed or funded results from the following:

- the application of transitional measures related to accounting policy changes made in 2000 (amortization over an estimated period through to 2020);

- application of relief measures related to employee future benefits (amortization over an estimated period through to 2025);

- the application of relief measures related to the environmental liability (amortization over an estimated period through to 2042);

- the long-term financing of certain expenditures, essentially related to the 2003 and 2005 refinancing of notarized deeds relating to certain pension plans (amortization over an estimated period through to 2045).

Net investment in capital assets

The net investment in capital assets is equal to the net carrying value of capital assets, minus the debt portion related to these assets and the related unrealized net foreign exchange gains, plus Sinking Fund investments that have accrued to repay the debt and the receivables amount to be collected from third parties for said repayment.

16- TRANSFER REVENUES
(in thousands of dollars)

	2015	2014 Restated Note 3
Transfers - Operating activities		
Government of Canada	5,124	7,000
Government of Québec	432,706	451,887
Communauté métropolitaine de Montréal	38,745	44,704
	476,575	503,591
Transfers - Capital asset activities		
Government of Canada		
Canada/Québec Infrastructure program	13,353	23,090
Gas tax program and the Québec government contribution (TECQ)	77,637	101,301
Government of Québec		
Canada/Québec Infrastructure program	13,353	23,090
Québec/Municipalities Infrastructure program	749,759	140,108
Gas tax program and the Québec government contribution (TECQ)	60,375	64,026
Other	30,616	24,644
	945,093	376,259
	1,421,668	879,850

17- INTEREST INCOME
(in thousands of dollars)

	2015	2014
Sinking Fund	80,797	75,278
Cash and other interest	44,815	41,468
Tax arrears	14,456	13,085
	140,068	129,831

18- ASSETS AND LIABILITIES TRANSFERRED FROM THE LOCAL DEVELOPMENT CENTRES

The adoption, in 2015, of *An Act mainly to implement certain provisions of the Budget Speech of 4 June 2014 and return to a balanced budget in 2015-2016* (2015, chapter 8) conferred all of the powers with respect to local development, including support for entrepreneurship, to the regional county municipalities (MRCs). Previously, MRCs had to entrust local development centres (CLDs) with the exercise of these powers. Under this act, certain assets (particularly loans to businesses) and liabilities (mainly loans granted by the Government of Québec) held by the CLDs were transferred to the City as of April 20, 2015. The act also provides for a share of the remaining net assets of the CLDs. The transfer of these assets and liabilities, which amount respectively to $31.4 million and $27.2 million, and the City's estimated share of $7.8 million in the CLDs' remaining net assets resulted in the recognition of $12.0 million in net revenues on the Consolidated Statement of Operations, under urban agglomeration responsibilities.

19- FINANCIAL INSTRUMENTS

Use of derivative instruments

The City uses derivative financial instruments to reduce its exposure to changes in cash flows associated with changes in foreign exchange rates and interest rates on its long-term debt. It does not use derivative financial instruments for trading or speculative purposes.

Exchange and interest positions

As at December 31, 2015, considering the use of currency and interest-rate swaps, substantially all of the City's loans are denominated in Canadian dollars and bear interest at a fixed rate.

Credit risk

In using derivative financial instruments, the City is exposed to credit losses arising from third-party defaults on payment. The City believes these parties will be able to meet their obligations since it deals only with recognized institutions whose credit ratings are higher than its own.

Fair value

The fair values of cash and temporary investments, accounts receivable other than those used to repay long-term debt, temporary loans, and accounts payable, provisions and accrued liabilities approximate their carrying values due to the short maturities of these financial instruments.

The following table shows the fair values and carrying values of other financial instruments:

(in thousands of dollars)	2015		2014 Restated Note 3	
	Fair value	Carrying value	Fair value	Carrying value
Investments	3,270,901	3,150,766	3,070,426	2,941,846
Receivables amount to be used to repay long-term debt	2,629,893	2,403,400	2,160,588	1,959,027
Long-term debt	11,935,309	10,562,006	10,911,299	9,551,580

The fair value of investments is the amount at which they could be exchanged on the market between parties at arm's length. The fair value of the receivables amount to be used to repay long-term debt and the long-term debt is essentially based on a discounted cash flow calculation that uses rates of return or the year-end market price of similar instruments with the same maturity. The fair value of swaps is the amount the City would receive or pay if these contracts closed at that date. As at December 31, 2015, the fair value of financial liabilities associated with swaps stood at $31.9 million ($40.2 million in 2014). It is included in the long-term debt amounts.

20- COMMITMENTS AND CONTINGENCIES

a) Contractual obligations

The City has contractual obligations relating primarily to property leases, equipment and machinery rentals, and snow-removal and garbage collection services. Under these obligations, the City has committed to paying a total amount of $1,104.8 million. The estimated amounts payable over the coming years are as follows:

2016	2017	2018	2019	2020	2021-2050	Total
$295.9M	$223.6M	$180.0M	$122.8M	$83.9M	$198.6M	$1,104.8M

Capital activity commitments total $2,650.7 million of which $1,245.1 million is to purchase metro cars.

b) F1 Grand Prix of Canada

As part of a renewal agreement enabling the F1 Grand Prix of Canada to be retained in Montréal, the City has undertaken to pay an initial annual contribution of $17.4 million until 2024 inclusively. This contribution will be increased by 2.00% per year. In this regard, the initial annual contribution receivable by the City from its partners is $16.3 million. This contribution receivable will also be increased by 2.00% per year.

In addition, under a lease agreement for the leasing of the Circuit Gilles-Villeneuve, the City has undertaken to carry out improvement work on the track by 2017 for a maximum of $30.0 million.

c) Claims and insurance

Claims pending against the City amount to $471.3 million. In the opinion of the City's legal counsel, the settlement of these claims will not materially impact the City's financial position.

The municipal administration has not contracted any risk insurance. However, according to its Charter, the City must forecast, in its budget established for tax purposes, an amount of at least 1% of its expenditures to cover expenditures not forecasted in the budget, the settling of claims and payment of judgments.

d) Environment

The City, as an owner of contaminated land, may be required to perform certain acts to comply with, in particular, the *Act to amend the Environment Quality Act* (S.Q., 2002, chapter 11). The City may have to characterize and, if necessary, rehabilitate a parcel of land after it has been used or when its use has been changed.

21- PRIOR PERIOD

Certain comparative figures have been reclassified to conform to the current year's presentation.

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2015

TABLE 1 – CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

	2015	
	Local responsibilities	
	Budget	Actual (1)
Revenues		
Taxes	3,114,091	3,128,323
Payments in lieu of taxes	236,312	254,545
Quota shares		
Transfers	152,788	162,240
Services rendered	407,117	421,073
Fee collection	158,030	194,217
Fines and penalties	106,466	87,583
Interest	80,423	92,251
Other revenues	37,478	23,299
	4,292,705	4,363,531
Operating expenditures		
General administration	762,735	711,915
Public security	836,188	835,067
Transportation	861,703	847,318
Environmental hygiene	440,482	439,907
Health and welfare	112,697	105,325
Urban planning and development	199,677	177,681
Recreation and culture	484,952	503,796
Financing expenses	267,676	259,096
	3,966,110	3,880,105
Surplus before financing and allocations	326,595	483,426
Financing		
Repayment of long-term debt (3)	(259,386)	(251,001)
Allocations		
Capital asset activities	(1,002)	(11,636)
Restricted operating surplus	20,141	40,164
Financial reserves and reserved funds	(58,723)	(62,069)
Recognized expenditures to be taxed or funded	(20,266)	(53,427)
	(59,850)	(86,968)
Operating surplus for tax purposes for the year	7,359	145,457

(1) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $55.0 million ($41.0 million in 2014) equal to the municipal administration specific quota share with respect to the infrastructure work completed under urban agglomeration responsibilities eligible for financial assistance under the gas tax and Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ)

(2) Eliminations refer to transactions carried out between organizations included in the financial reporting entity as well as to interjurisdictional transactions.

(3) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties. It also includes, for the municipal administration, additional payments to the sinking fund to reduce the long-term financing related to the acquisition of capital assets and to certain operating expenditures.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2015

(in thousands of dollars)

2015						2014
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
45,000	45,377	(18,632)	(17,675)	3,140,459	**3,156,025**	3,045,648
				236,312	**254,545**	250,957
2,624,472	2,624,780	(2,218,076)	(2,218,696)	406,396	**406,084**	400,572
339,650	314,335			492,438	**476,575**	503,591
688,059	677,682	(107,984)	(114,585)	987,192	**984,170**	955,606
1,943	2,592			159,973	**196,809**	187,221
93,290	83,174			199,756	**170,757**	178,368
59,083	62,902	(17,229)	(15,085)	122,277	**140,068**	129,831
108,797	108,905	(41,432)	(40,757)	104,843	**91,447**	102,589
3,960,294	3,919,747	(2,403,353)	(2,406,798)	5,849,646	**5,876,480**	5,754,383
390,576	349,577	(277,001)	(278,220)	876,310	**783,272**	736,141
1,032,130	1,022,469	(820,140)	(820,396)	1,048,178	**1,037,140**	1,046,612
1,716,375	1,838,395	(918,198)	(924,238)	1,659,880	**1,761,475**	1,385,021
230,151	214,717	(243,444)	(236,096)	427,189	**418,528**	396,638
36,261	36,027	(16,715)	(14,032)	132,243	**127,320**	126,056
59,332	48,442	(31,370)	(30,992)	227,639	**195,131**	183,079
140,934	136,980	(92,456)	(92,654)	533,430	**548,122**	524,784
248,220	240,082	(17,229)	(15,085)	498,667	**484,093**	466,641
3,853,979	3,886,689	(2,416,553)	(2,411,713)	5,403,536	**5,355,081**	4,864,972
106,315	33,058	13,200	4,915	446,110	**521,399**	889,411
(245,957)	(210,731)	(8,584)	(8,586)	(513,927)	**(470,318)**	(458,252)
(332)	(14,934)			(1,334)	**(26,570)**	(44,511)
163	5,457			20,304	**45,621**	36,652
(36,771)	(42,519)			(95,494)	**(104,588)**	(72,667)
176,702	242,787	(4,616)	3,671	151,820	**193,031**	(108,716)
139,762	190,791	(4,616)	3,671	75,296	**107,494**	(189,242)
120	13,118			7,479	**158,575**	241,917

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2015

TABLE 2 – CONSOLIDATED SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2015	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares		
Transfers	106,503	124,714
Other revenues		
Developers contributions	3,000	6,677
Other	1,238	2,329
	110,741	133,720
Capital expenditures		
General administration	91,280	31,620
Public security	100	4,325
Transportation	391,802	252,426
Environmental hygiene	87,100	125,262
Health and welfare	38,960	1,128
Urban planning and development	97,000	36,917
Recreation and culture	174,400	164,211
	880,642	615,889
Deficit before financing and allocations	(769,901)	(482,169)
Financing		
Long-term financing of capital asset activities	740,199	442,425
Allocations		
Operating activities	1,002	11,636
Restricted operating surplus		14,434
Financial reserves and reserved funds (3)	28,700	106,822
Use of the sinking fund		
	29,702	132,892
Surplus of capital asset activities for tax purposes for the year		93,148

(1) The revenues include transfers of $55.0 million ($41.0 million in 2014) equal to the municipal administration specific quota share with respect to the infrastructure work completed under urban agglomeration responsibilities eligible for financial assistance under the gas tax and Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ)

(2) Eliminations refer to transactions carried out between organizations included in the financial reporting entity.

(3) The allocation of $104.4 million ($36.8 million in 2014) presented in urban agglomeration responsibilities includes an amount of $10.5 million ($5.5 million in 2014) from local responsibilities.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2015

(in thousands of dollars)

2015						2014 Restated Note 3
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual (1)	Budget	Actual	Budget	Actual	Actual
13,200	4,915	(13,200)	(4,915)			
621,839	820,379			728,342	**945,093**	376,259
	65			3,000	**6,742**	8,245
1,500	2,528			2,738	**4,857**	3,128
636,539	827,887	(13,200)	(4,915)	734,080	**956,692**	387,632
57,493	18,921			148,773	**50,541**	29,021
45,100	35,565			45,200	**39,890**	49,780
717,536	919,870			1,109,338	**1,172,296**	507,327
282,100	143,592			369,200	**268,854**	274,092
	(638)			38,960	**490**	9,508
26,200	7,240			123,200	**44,157**	47,864
120,600	57,439			295,000	**221,650**	204,944
1,249,029	1,181,989			2,129,671	**1,797,878**	1,122,536
(612,490)	(354,102)	(13,200)	(4,915)	(1,395,591)	**(841,186)**	(734,904)
501,558	299,988	13,200		1,254,957	**742,413**	728,295
332	14,934			1,334	**26,570**	44,511
					14,434	21,073
110,600	104,390			139,300	**211,212**	54,519
						48,500
110,932	119,324			140,634	**252,216**	168,603
	65,210		(4,915)		**153,443**	161,994

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2015

TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS (in thousands of dollars)

	2015	2014 Restated Note 3
Accumulated surplus		
Unrestricted operating surplus	**203,361**	142,136
Restricted operating surplus	**335,333**	259,337
Financial reserves and reserved funds	**247,973**	327,492
Surplus (Deficit) of capital asset activities	**7,978**	(119,659)
Recognized expenditures to be taxed or funded	**(955,725)**	(722,694)
Net investment in capital assets	**7,374,400**	6,684,285
	7,213,320	6,570,897
Breakdown of different items		
Restricted operating surplus		
Allocation to the following year	**39,100**	20,100
Restricted surplus - Boroughs	**156,944**	123,191
Restricted surplus - Specific projects	**20,228**	9,219
Restricted surplus - Other purposes	**119,061**	106,827
	335,333	259,337
Financial reserves and reserved funds		
Financial reserves		
Water	**170,058**	223,096
Road network	**50,645**	41,513
Capital assets	**142**	28,000
	220,845	292,609
Reserved funds		
Parks and playing fields		15,245
Working capital	**10,904**	8,430
Balance of closed-loan by-laws	**7,886**	3,080
Parking areas	**5,329**	5,089
Other	**3,009**	3,039
	27,128	34,883
	247,973	327,492
Recognized expenditures to be taxed or funded		
Transitional measures as of January 1, 2000		
Employee benefits	**(4,256)**	(7,645)
Employee future benefits		
Pension plans	**349,591**	569,446
Other plans	**(199,140)**	(199,140)
	150,451	370,306
Environmental liability	**(40,000)**	
Long-term financing of operating activities	**(1,061,920)**	(1,085,355)
	(955,725)	(722,694)
Net investment in capital assets		
Assets		
Investments - Sinking Fund	**2,252,041**	1,947,447
Receivables amounts to be used to repay long-term debt	**2,256,104**	1,802,422
Capital assets	**12,168,304**	11,206,094
	16,676,449	14,955,963
Liabilities		
Deferred revenues - Unrealized net foreign exchange gains	**(512)**	(555)
Long-term debt	**(10,562,006)**	(9,551,580)
Debt not affecting the net investment in capital assets	**1,260,469**	1,280,457
	(9,302,049)	(8,271,678)
	7,374,400	6,684,285

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2015

TABLE 4 – CONSOLIDATED NET TOTAL LONG-TERM DEBT *(in thousands of dollars)*

	2015	2014 Restated Note 3
Long-term debt of the municipal administration	**7,992,494**	7,590,873
Add		
Long-term unfunded operating expenditures	**12,366**	6,195
Long-term unfunded capital expenditures		106,444
Other		
Purchase of land	**16,996**	14,840
Government receivables	**74,386**	131,298
Deduct		
Receivables amount dedicated to repayment on long-term debt	**1,321,027**	1,360,434
Amount accumulated for repayment on long-term debt	**1,644,966**	1,443,091
Amount recoverable through user fees	**332,687**	336,472
Surplus of capital asset activities	**3,667**	
Net long-term debt of the municipal administration	**4,793,895**	4,709,653
Share in the net total long-term debt of controlled organizations	**794,463**	739,645
Consolidated net long-term debt	**5,588,358**	5,449,298
Quota share in net total long-term debt - CMM	**13,599**	14,981
Consolidated net total long-term debt	**5,601,957**	5,464,279

Municipal Administration Financial Reporting

2015

Breakdown by Responsibility

Water Management

Breakdown of Mixed Expenditures

Municipal Administration Financial Reporting 2015

Breakdown by Responsibility

Financial Information of the Municipal Administration
Fiscal Year Ended December 31, 2015

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

	2015	
	Local responsibilities	
	Budget	Actual (1)
Revenues		
Taxes	3,114,091	3,128,323
Payments in lieu of taxes	236,312	254,545
Quota shares		
Transfers	152,788	162,207
Services rendered	264,025	274,402
Fee collection	158,030	194,217
Fines and penalties	106,466	87,583
Interest	80,423	91,923
Other revenues	24,815	10,782
	4,136,950	4,203,982
Operating expenditures		
General administration	762,735	711,915
Public security	836,188	835,067
Transportation	784,695	771,243
Environmental hygiene	440,482	439,907
Health and welfare	65,339	59,791
Urban planning and development	190,123	169,353
Recreation and culture	484,710	503,579
Financing expenses	264,611	256,561
	3,828,883	3,747,416
Surplus before financing and allocations	308,067	456,566
Financing		
Repayment of long-term debt (3)	(249,219)	(240,627)
Allocations		
Capital asset activities		(6,812)
Restricted operating surplus	20,141	40,164
Financial reserves and reserved funds	(58,723)	(62,069)
Recognized expenditures to be taxed or funded	(20,266)	(53,427)
	(58,848)	(82,144)
Operating surplus for tax purposes for the year		133,795

(1) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $55.0 million ($41.0 million in 2014) equal to the municipal administration specific quota share with respect to the infrastructure work completed under urban agglomeration responsibilities eligible for financial assistance under the gas tax and Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ).

(2) The eliminations refer to interjurisdictional transactions.

(3) Repayment of long-term debt represents loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties. It also includes, for the municipal administration, additional payments to the sinking fund to reduce the long-term financing related to the acquisition of capital assets and to certain operating expenditures.

Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2015

(in thousands of dollars)

2015						2014
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
45,000	45,377			3,159,091	**3,173,700**	3,061,444
				236,312	**254,545**	250,957
2,215,372	2,206,794	(1,808,976)	(1,800,710)	406,396	**406,084**	400,572
108,158	93,817			260,946	**256,024**	296,504
55,672	55,228	(19,882)	(24,942)	299,815	**304,688**	292,424
1,943	2,592			159,973	**196,809**	187,221
93,290	83,174			199,756	**170,757**	178,368
37,085	41,707			117,508	**133,630**	122,801
1,767	17,865			26,582	**28,647**	25,324
2,558,287	2,546,554	(1,828,858)	(1,825,652)	4,866,379	**4,924,884**	4,815,615
390,576	349,577	(267,780)	(271,368)	885,531	**790,124**	740,863
1,032,130	1,022,469	(820,140)	(820,396)	1,048,178	**1,037,140**	1,047,406
500,390	502,092	(402,932)	(403,210)	882,153	**870,125**	805,669
230,151	214,717	(242,643)	(235,326)	427,990	**419,298**	397,349
36,261	36,027	(3,785)	(3,785)	97,815	**92,033**	91,320
59,332	48,442	(23,849)	(23,808)	225,606	**193,987**	183,464
88,698	87,518	(67,729)	(67,759)	505,679	**523,338**	499,599
127,552	120,503			392,163	**377,064**	376,589
2,465,090	2,381,345	(1,828,858)	(1,825,652)	4,465,115	**4,303,109**	4,142,259
93,197	165,209			401,264	**621,775**	673,356
(168,246)	(146,532)			(417,465)	**(387,159)**	(385,304)
	(18,517)				**(25,329)**	(21,703)
	1,525			20,141	**41,689**	36,652
(35,921)	(42,046)			(94,644)	**(104,115)**	(72,191)
110,970	52,379			90,704	**(1,048)**	(16,870)
75,049	(6,659)			16,201	**(88,803)**	(74,112)
	12,018				**145,813**	213,940

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2015

NON-CONSOLIDATED OPERATING SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2015	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	106,503	124,714
Other revenues		
Developers contributions	3,000	6,677
Other	1,238	2,329
	110,741	133,720
Acquisition of capital assets		
General administration	91,280	31,620
Public security	100	4,325
Transportation	390,800	251,953
Environmental hygiene	87,100	125,262
Health and welfare		
Urban planning and development	97,000	33,694
Recreation and culture	174,400	164,211
	840,680	611,065
Deficit before financing and allocations	(729,939)	(477,345)
Financing		
Long-term financing of capital asset activities	701,239	442,425
Allocations		
Operating activities		6,812
Restricted operating surplus		14,434
Financial reserves and reserved funds (2)	28,700	106,822
Use of the sinking fund		
	28,700	128,068
Surplus of capital asset activities for tax purposes for the year		93,148

(1) The revenues include transfers of $55.0 million ($41.0 million in 2014) equal to the municipal administration specific quota share with respect to the infrastructure work completed under urban agglomeration responsibilities eligible for financial assistance under the gas tax and Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ)

(2) The allocation of $83.3 million ($36.8 million in 2014) presented in urban agglomeration responsibilities includes an amount of $10.5 million ($5.5 million in 2014) from local responsibilities.

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2015

(in thousands of dollars)

2015				2014
Urban agglomeration responsibilities		Total		Total
Budget	Actual (1)	Budget	Actual	Actual
180,753	70,304	287,256	**195,018**	221,985
	65	3,000	**6,742**	8,245
1,500	2,528	2,738	**4,857**	3,128
182,253	72,897	292,994	**206,617**	233,358
57,493	18,921	148,773	**50,541**	29,021
45,100	35,565	45,200	**39,890**	49,780
127,700	58,167	518,500	**310,120**	237,027
282,100	143,592	369,200	**268,854**	274,092
	(638)		**(638)**	56
26,200	7,240	123,200	**40,934**	47,431
120,600	57,439	295,000	**221,650**	204,944
659,193	320,286	1,499,873	**931,351**	842,351
(476,940)	(247,389)	(1,206,879)	**(724,734)**	(608,993)
366,340	167,360	1,067,579	**609,785**	605,939
	18,517		**25,329**	21,703
			14,434	21,073
110,600	83,390	139,300	**190,212**	54,519
				48,500
110,600	101,907	139,300	**229,975**	145,795
	21,878		**115,026**	142,741

Financial Information of the Municipal Administration (continued)

As at December 31, 2015

NON-CONSOLIDATED ACCUMULATED SURPLUS BY RESPONSIBILITY

	2015		
	Local responsibilities	Urban agglomeration responsibilities	Total
Accumulated surplus			
Unrestricted operating surplus	151,101	58,675	**209,776**
Restricted operating surplus	261,519	690	**262,209**
Financial reserves and reserved funds	106,527	128,389	**234,916**
Surplus (Deficit) of capital asset activities	98,559	(76,577)	**21,982**
Recognized expenditures to be taxed or funded	(1,265,528)	287,147	**(978,381)**
Net investment in capital assets			**4,570,293**
			4,320,795
Breakdown of different items			
Allocated operating surplus			
Allocation to the following year	39,100		**39,100**
Restricted surplus - Boroughs	156,944		**156,944**
Restricted surplus - Special projects	19,601	627	**20,228**
Restricted surplus - Other purposes	45,874	63	**45,937**
	261,519	690	**262,209**
Financial reserves and reserved funds			
Financial reserves			
Water	47,141	122,917	**170,058**
Road network	45,197	5,448	**50,645**
Capital assets	118	24	**142**
	92,456	128,389	**220,845**
Reserved funds			
Parks and playing fields			
Working capital	3,904		**3,904**
Balance of closed-loan by-laws	1,829		**1,829**
Parking areas	5,329		**5,329**
Other	3,009		**3,009**
	14,071		**14,071**
	106,527	128,389	**234,916**
Recognized expenditures to be taxed or funded			
Transitional measures of January 1, 2000			
Employee benefits		(4,256)	**(4,256)**
Employee future benefits			
Pension plans	(84,266)	323,683	**239,417**
Other plans	(96,320)	(9,914)	**(106,234)**
	(180,586)	313,769	**133,183**
Environmental liability	(40,000)		**(40,000)**
Long-term financing of operating activities	(1,044,942)	(22,366)	**(1,067,308)**
	(1,265,528)	287,147	**(978,381)**

Financial Information of the Municipal Administration (continued)
As at December 31, 2015

(in thousands of dollars)

	2014		
	Local responsibilities	Urban agglomeration responsibilities	Total
Accumulated surplus			
Unrestricted operating surplus	102,703	48,066	150,769
Restricted operating surplus	191,881	944	192,825
Financial reserves and reserved funds	160,475	159,239	319,714
Surplus (Deficit) of capital asset activities	5,412	(98,456)	(93,044)
Recognized expenditures to be taxed or funded	(1,278,956)	339,527	(939,429)
Net investment in capital assets			4,479,151
			4,109,986
Breakdown of different items			
Allocated operating surplus			
Allocation to the following year	20,100		20,100
Restricted surplus - Boroughs	123,191		123,191
Restricted surplus - Special projects	8,339	880	9,219
Restricted surplus - Other purposes	40,251	64	40,315
	191,881	944	192,825
Financial reserves and reserved funds			
Financial reserves			
Water	76,495	146,601	223,096
Road network	33,626	7,887	41,513
Capital assets	23,249	4,751	28,000
	133,370	159,239	292,609
Reserved funds			
Parks and playing fields	15,245		15,245
Working capital	1,903		1,903
Balance of closed-loan by-laws	1,829		1,829
Parking areas	5,089		5,089
Other	3,039		3,039
	27,105		27,105
	160,475	159,239	319,714
Recognized expenditures to be taxed or funded			
Transitional measures of January 1, 2000			
Employee benefits		(7,645)	(7,645)
Employee future benefits			
Pension plans	(115,353)	382,180	266,827
Other plans	(96,320)	(9,914)	(106,234)
	(211,673)	372,266	160,593
Environmental liability			
Long-term financing of operating activities	(1,067,283)	(25,094)	(1,092,377)
	(1,278,956)	339,527	(939,429)

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2015

NON-CONSOLIDATED BY-ITEM AMOUNTS FOR TAX PURPOSES BY RESPONSIBILITY

	2015	
	Local responsibilities	
	Budget	Actual
Remuneration		
Elected officials	10,380	9,820
Employees	775,321	784,176
Employer contributions		
Elected officials	3,836	4,109
Employees	365,888	351,888
Transportation and communication	27,196	27,791
Professionnal, technical and other services		
Professional fees	36,459	29,768
Purchase of technical services	218,132	187,097
Other	2,992	3,127
Leasing, maintenance and repairs		
Leasing	75,587	71,692
Maintenance and repairs	69,853	45,206
Durable goods		
Construction	2,964	5,510
Other durable goods	1,592	409
Non-durable goods		
Delivery of public services	44,997	46,438
Other non-durable goods	107,854	106,744
Financing expenses		
Interest and other charges on long-term debt borne by:		
The municipality	206,065	197,611
Government of Québec and its enterprises	14,850	19,429
Other third parties	42,387	38,892
Other financing expenses	1,309	629
Contributions to organizations		
Municipal organizations		
Quota shares - Agglomération de Montréal	1,808,976	1,800,710
Société de transport de Montréal		
Montréal Metropolitan Community	25,623	25,109
Reconstituted municipalities		
Other	5,861	4,997
Government organizations		
Agence métropolitaine de transport		
Other		100
Other organizations	86,669	104,236
Other items		
Doubtful account or bad debts	8,325	8,458
Other	(114,233)	(126,530)
	3,828,883	3,747,416

(1) Eliminations refer to interjurisdictional transactions.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2015

(in thousands of dollars)

2015						2014
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
				10,380	**9,820**	10,169
851,277	856,405			1,626,598	**1,640,581**	1,606,513
				3,836	**4,109**	3,976
398,831	363,592			764,719	**715,480**	743,093
12,283	13,707			39,479	**41,498**	39,122
17,230	12,908		(20)	53,689	**42,656**	35,566
87,273	81,697	(891)	(3,246)	304,514	**265,548**	244,905
855	781			3,847	**3,908**	3,600
30,306	29,726	(11,705)	(11,703)	94,188	**89,715**	88,389
31,531	29,162	(7,264)	(9,699)	94,120	**64,669**	58,364
6,445	7,936			9,409	**13,446**	9,408
22	274	(22)	(274)	1,592	**409**	1,734
41,478	38,086			86,475	**84,524**	79,679
45,282	39,230			153,136	**145,974**	140,019
96,109	86,272			302,174	**283,883**	284,103
31,338	34,161			46,188	**53,590**	57,919
				42,387	**38,892**	34,039
105	70			1,414	**699**	528
		(1,808,976)	(1,800,710)			
422,300	422,901			422,300	**422,901**	387,527
4,377	4,290			30,000	**29,399**	29,482
22,116	23,056			27,977	**28,053**	26,264
63,600	63,295			63,600	**63,295**	50,636
11,772	11,910			11,772	**12,010**	15,107
39,526	38,442			126,195	**142,678**	122,569
8,834	13,279			17,159	**21,737**	24,655
242,200	210,165			127,967	**83,635**	44,893
2,465,090	2,381,345	(1,828,858)	(1,825,652)	4,465,115	**4,303,109**	4,142,259

Municipal Administration Financial Reporting 2015

Water Management

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2015

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2015	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares - Water service		
Quota shares - Water financial reserve		
Quota shares - TECQ Investment Financing		
Quota shares - FCCQ Investment Financing		
Quota shares - Rates		
Wastewater fees and the sale of Charlemagne drinking water		61
Water taxe service	303,279	305,147
Flat rate and meter fees	26,444	24,882
Revenues for delegated agglomeration activities	307	161
Other revenues from local sources	798	1,364
Transfers		3,667
	330,828	335,282
Expenditures		
Quota shares for financing urban agglomeration activities	188,796	180,529
Expenditures	110,609	108,290
	299,405	288,819
Surplus before financing and allocations	31,423	46,463
Financing		
Repayment of long-term debt (1)	28,750	27,902
Allocations		
Capital asset financial activities		
Recognized expenditures to be taxed or funded	(271)	(457)
Water financial reserve	(2,402)	(18,104)
	(2,673)	(18,561)
Operating surplus for tax purposes for the year		

(1) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties. It also includes, for the municipal administration, additional payments to the sinking fund to reduce the long-term financing related to the acquisition of capital assets and to certain operating expenditures. For the purpose of this table, the repayment of long-term debt includes financing expenses.

(2) Interjurisdictional transactions have been eliminated.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2015

(in thousands of dollars)

2015						2014
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
159,982	159,982	(130,351)	(130,351)	29,631	**29,631**	29,450
59,668	54,181	(52,534)	(47,458)	7,134	**6,723**	6,783
4,063	4,064			4,063	**4,064**	3,970
288	288			288	**288**	170
6,086	2,994	(5,911)	(2,720)	175	**274**	319
4,194	4,260			4,194	**4,321**	4,192
				303,279	**305,147**	300,274
				26,444	**24,882**	24,882
		(307)	(161)			75
270	470		(5)	1,068	**1,829**	2,161
659	630			659	**4,297**	1,854
235,210	226,869	(189,103)	(180,695)	376,935	**381,456**	374,130
		(188,796)	(180,529)			
181,301	167,345	(307)	(166)	291,603	**275,469**	263,172
181,301	167,345	(189,103)	(180,695)	291,603	**275,469**	263,172
53,909	59,524			85,332	**105,987**	110,958
40,213	39,160			68,963	**67,062**	70,043
	7				**7**	(18,412)
				(271)	**(457)**	(256)
(13,696)	(20,371)			(16,098)	**(38,475)**	(22,247)
(13,696)	(20,364)			(16,369)	**(38,925)**	(40,915)

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2015

NON-CONSOLIDATED SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2015	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares - Related municipalities		
Transfers	57,563	77,659
Other revenues		
	57,563	77,659
Acquisition of capital assets		
Drinking water production		
Wastewater treatment		
Water and wastewater - Secondary infrastructure	79,799	117,062
Buildings		
	79,799	117,062
Deficit before financing and allocations	(22,236)	(39,403)
Financing		
Long-term financing of capital asset activities	5,456	15,186
Allocations		
Operating activities		
Use of the sinking fund		
Water financial reserve (1)	16,780	37,572
	16,780	37,572
Surplus of capital asset activities for tax purposes for the year		13,355

(1) The allocation of $55.9 million ($36.4 million in 2014) presented in urban agglomeration responsibilities includes an amount of $10.5 million ($5.5 million in 2014) from local responsibilities.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2015

(in thousands of dollars)

2015				2014
Urban agglomeration responsibilities		Total		Total
Budget	Actual	Budget	Actual	Actual
	1,556		**1,556**	1,123
131,922	61,386	189,485	**139,045**	164,398
				356
131,922	62,942	189,485	**140,601**	165,877
154,260	78,322	154,260	**78,322**	61,967
62,000	26,039	62,000	**26,039**	24,142
40,318	29,313	120,117	**146,375**	144,761
	3,940		**3,940**	3,941
256,578	137,614	336,377	**254,676**	234,811
(124,656)	(74,672)	(146,892)	**(114,075)**	(68,934)
36,787	35,137	42,243	**50,323**	9,116
	(7)		**(7)**	18,412
				1,362
87,869	55,921	104,649	**93,493**	46,085
87,869	55,914	104,649	**93,486**	65,859
	16,379		**29,734**	6,041

Municipal Administration Financial Reporting 2015

Breakdown of Mixed Expenditures

Vérificateur **général**
de la Ville de Montréal

INDEPENDENT AUDITOR'S REPORT

To the Mayor,
The Chairman and the Members of the Executive Committee,
The Members of the Council of Ville de Montréal,
The Members of the Montréal Agglomeration Council

I have audited the accompanying Table of Breakdown of Mixed Expenditures of Ville de Montréal between local responsibilities and urban agglomeration responsibilities ("Table of Breakdown of Mixed Expenditures") for the year ended December 31, 2015. This breakdown has been determined by management based on by-law RCG06-054 adopted by the Montréal Agglomeration Council on December 13, 2006 and its subsequent changes (hereinafter "the regulatory requirements").

Management's Responsibility for the Table of Breakdown of Mixed Expenditures

Management is responsible for the preparation of the Table of Breakdown of Mixed Expenditures in accordance with the regulatory requirements and for such internal control as management determines is necessary to enable the preparation of a table of breakdown of mixed expenditures that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the Table of Breakdown of Mixed Expenditures based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Table of Breakdown of Mixed Expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Table of Breakdown of Mixed Expenditures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Table of Breakdown of Mixed Expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Table of Breakdown of Mixed Expenditures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Table of Breakdown of Mixed Expenditures.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

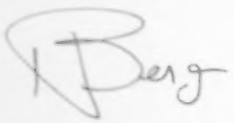
1550, rue Metcalfe, bureau 1201, Montréal (Québec) H3A 3P1

Vérificateur **général**
de la Ville de Montréal

Opinion

In my opinion, the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local responsibilities and urban agglomeration responsibilities for the year ended December 31, 2015 is prepared, in all material respects, in accordance with the regulatory requirements.

Auditor General of the Ville de Montréal,



Jacques Bergeron, CPA auditor, CA

Montréal, April 5, 2016

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2015

TABLE OF BREAKDOWN OF MIXED EXPENDITURES BY RESPONSIBILITY

	2015	
	Local responsibilities	
	Budget	Actual
Expenditures		
General administration	165,659	164,920
Transportation	8,158	7,081
Environmental hygiene	5,821	5,513
Health and welfare	1,590	1,616
Urban planning and development	28,867	19,351
Recreation and culture	6,074	5,923
Total expenditures	216,169	204,404

(1) Eliminations refer to interjurisdictional transactions.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2015

(in thousands of dollars)

2015						2014
Urban agglomeration responsibilities		Eliminations (1)		Total		
Budget	Actual	Budget	Actual	Budget	Actual	Actual
139,377	137,487	(90)	(128)	304,946	**302,279**	280,992
2,823	2,710		(3)	10,981	**9,788**	10,362
9,005	8,750			14,826	**14,263**	15,201
2,399	2,455			3,989	**4,071**	3,534
9,520	6,910			38,387	**26,261**	31,030
4,863	4,763		(4)	10,937	**10,682**	10,255
167,987	163,075	(90)	(135)	384,066	**367,344**	351,374

Municipal Administration – Breakdown of Mixed Expenditures – Supplementary Notes
December 31, 2015

1- MIXED EXPENDITURES

An *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR, chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005) and the orders that amended it thereafter, lists and defines the urban agglomeration responsibilities. Under this Act, expenditures incurred by the Ville de Montréal in carrying out by the municipal administration an act that falls within the exercise of an agglomeration power and, at the same time, another power, are considered mixed expenditures; these mixed expenditures are subject to a by-law of the Urban Agglomeration Council that sets out criteria for establishing which portion of the mixed expenditure is an expenditure related to the exercise of an agglomeration power.

The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

2- BREAKDOWN OF MIXED EXPENDITURES

The mixed expenditures of the municipal administration are broken down between local and agglomeration powers in accordance with the criteria and calculation method defined in by-law RCG06-054, adopted by the Urban Agglomeration Council on December 13, 2006 and its subsequent changes.

Therefore, the portion of a mixed expenditure related to transportation, environmental hygiene, health and welfare, urban planning and development, as well as recreation and culture, which constitutes an expenditure incurred in exercising agglomeration powers, is determined using factual quantitative data or a quantitative measure of the human or financial resources allocated to the expenditure.

Also, the portion of a mixed expenditure that is a general administrative expenditure incurred by one or more support units in the exercise of agglomeration powers is determined using an administrative expenditure rate applied to the agglomeration expenditures, excluding debt service expenditures, contribution expenditures, contingency expenditures and mixed general administrative expenditures. The administrative expenditure rate is calculated annually on the basis of criteria set out in the above-mentioned by-laws. The rate applicable in 2015 was 8.43%.

The actual mixed expenditures are distributed based on the rates used to develop the City's 2015 Budget.

3- SIGNIFICANT ACCOUNTING POLICIES

The expenditures presented in the Breakdown of Mixed Expenditures Table are extracted from the consolidated financial statements of the Ville de Montréal for the year ended December 31, 2015, which are prepared in accordance with Canadian public sector accounting standards. Note 2 to the consolidated financial statements describes the accounting policies applied.

By their very nature, the mixed expenditures for the municipal administration do not include any tax reconciliation items.

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